



EUROPEAN COMMISSION

PRESS RELEASE

Brussels, 30 January 2014

January 2014: Economic Sentiment continues to improve in the euro area and the EU

In January the *Economic Sentiment Indicator* (ESI) increased by 0.5 points in the euro area (to 100.9¹) and by 0.9 points in the EU (to 104.7). While the upward trend observed since May 2013 has been continued, the magnitude and sectoral scope of the improvement in confidence has moderated somewhat.

Economic sentiment indicator (s.a.)

January EU: 104.7 - Euro Area: 100.9



source: European Commission services

¹ Note: due to the annual updating of country weights and the inclusion of 2013 in the standardisation sample (1990-2013), data have been revised for previous periods. The inclusion of 2013 in the standardisation sample leads to upward revisions of the ESI at the aggregate EU/euro area level.

Euro area developments

In the euro area, the ESI's increase was driven by improved confidence in services, retail trade and among consumers. By contrast, confidence weakened in industry and construction. Economic sentiment improved in two out of the five largest euro area economies, i.e. Germany (+0.7) and France (+1.1), remained broadly stable in Spain and Italy and deteriorated in the Netherlands (-1.0).

Industry confidence registered a small decrease (-0.5), resulting from managers' worsened assessment of the *stocks of finished products*. Their *production expectations* and assessment of the current level of *overall order books* were virtually unchanged. Also managers' assessments of the *past production* and the current level of *export order books*, which are not included in the confidence indicator, remained broadly stable in January. The strong increase in **services confidence** (+1.9) resulted from improved assessments of *demand expectations* and the *past business situation*, while the assessment of *past demand* was virtually unchanged. **Consumer confidence** improved markedly (+1.8) and is above its long term-average for the first time since July 2011. This was mainly thanks to improving expectations about *unemployment* and the *future general economic situation*. Albeit to a lesser degree, also consumers' views on the *future financial situation* of their households improved while their assessment of *savings* over the next 12 months remained unchanged. **Retail trade confidence** increased markedly (+1.6) thanks to improvements in all its three components: managers' *present* and *expected business situation* and their assessment of the *volume of stocks*. Meanwhile, confidence in the **construction sector** decreased strongly (-3.7), resulting from managers' markedly worsened assessment of *order books* and a less important downward revision of *employment expectations*. **Financial services confidence** (not included in the ESI) increased by 4.1 points. While the *past business situation* and *demand expectations* were assessed markedly more positively, the assessment of *past demand* worsened.

Employment plans were revised upwards in services and retail trade. They remained virtually unchanged in industry but worsened somewhat in construction. **Selling price expectations** decreased in retail trade and construction, while remaining broadly unchanged in industry and services. Consumers' price expectations for the next 12 months remained flat.

EU developments

In the wider EU, the improvement in sentiment was slightly more pronounced (+0.9). The ESI improved in the two largest non-euro area EU economies, Poland (+1.7) and the UK (+1.0). On a sector basis, as in the euro area, confidence improved in services, retail trade and among consumers and decreased slightly in industry. Confidence in the wider EU construction sector remained stable. The main reason for this difference compared to the euro area was markedly improving construction confidence in the UK.

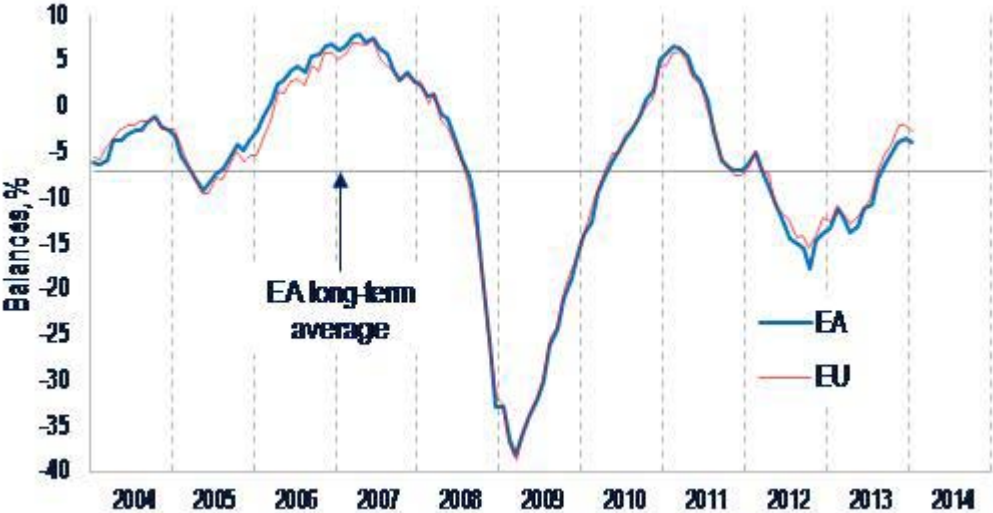
Employment plans in industry were more upbeat EU-wide than in the euro area; on the other hand, employment plans in services were revised downwards somewhat. Concerning selling prices, the main differences to the euro area were lowered expectations in services, while expectations of construction managers remained flat. Consumers' price expectations were revised downwards.

Quarterly survey in manufacturing (conducted in January)

In the euro area manufacturing sector, the estimated rate of *capacity utilisation* increased markedly to 80%. Accordingly, the share of managers assessing their *current production capacity* as 'not sufficient' (in view of current order books and demand expectations) increased. Also managers' assessment of developments in overall *new orders* and their *export volume expectations* improved. In line with these findings, managers' appraisal of their *competitive position on foreign markets outside the EU* improved compared with the previous survey carried out in October. The *number of months' production assured by orders on hand* remained unchanged. Developments in the wider EU were largely in line with euro area developments.

Industrial confidence indicator (s.a.)

January EU: -2.6 - Euro Area: -3.9



Service confidence indicator (s.a.)

January EU: 7.3 - Euro Area: 2.3



Consumer confidence indicator (s.a.)

January EU: -8.8 - Euro Area: -11.7



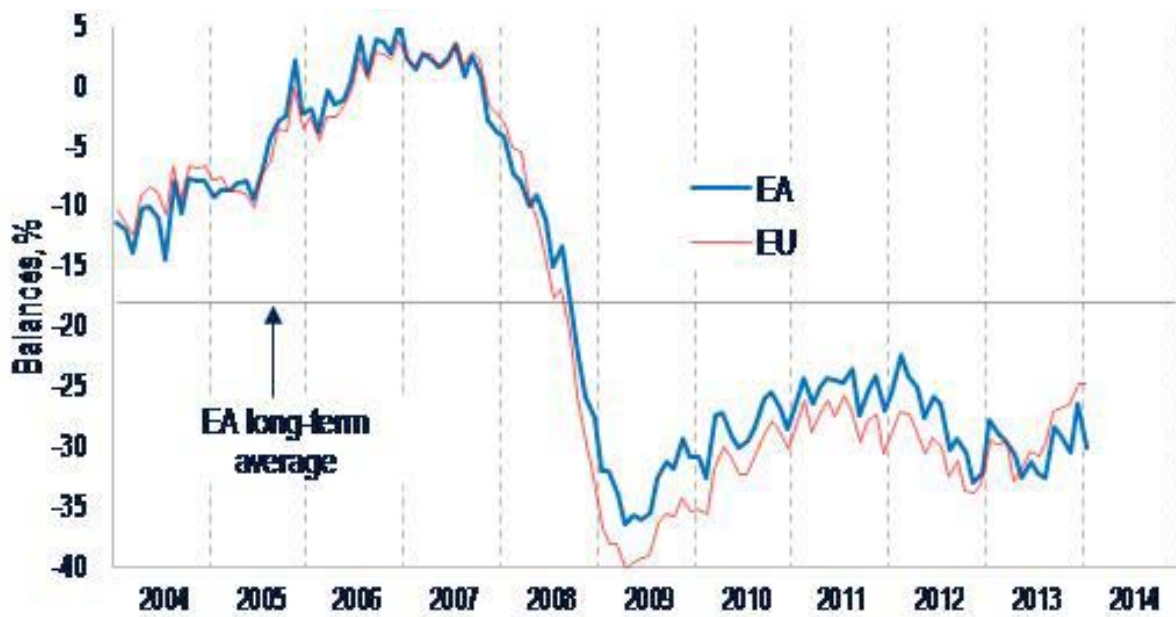
Retail trade confidence indicator (s.a.)

January EU: 2.0 - Euro Area: -3.4



Construction confidence indicator (s.a.)

January EU: -24.8 - Euro Area: -30.1



Financial services confidence indicator (n.s.a.)

January EU: 14.2 - Euro Area: 11.0



The next Business and Consumer Survey is due to be published on 27 February 2014.

Full tables are available on:

http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm

Scheduled publication dates

	Flash estimate	Final release EU, euro area and Member States
February 2014	20 February 2014	27 February 2014
March 2014	21 March 2014	28 March 2014
April 2014	22 April 2014	29 April 2014

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