

Brussels, 28 September 2007

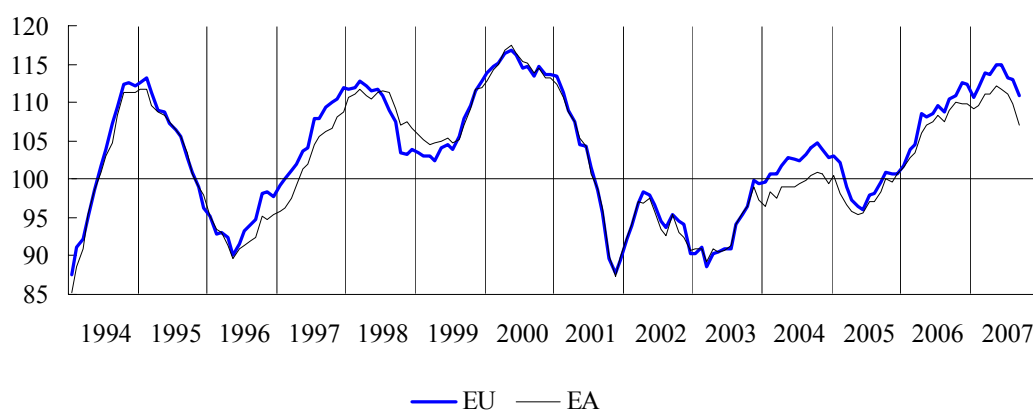
September 2007: Economic sentiment weakens in both the EU and the euro area

In September, the Economic Sentiment Indicator (ESI) continued to decrease in both the EU and the euro area. It dropped by 2.3 points in the EU and by 2.8 points in the euro area, to 110.8 and 107.1 respectively. However, despite the declines observed in the third quarter, the indicator remains well above its long-term average in both areas.

Economic sentiment indicator (s.a.)

EU: September 110.8
Euro area: September 107.1

long-term average =100

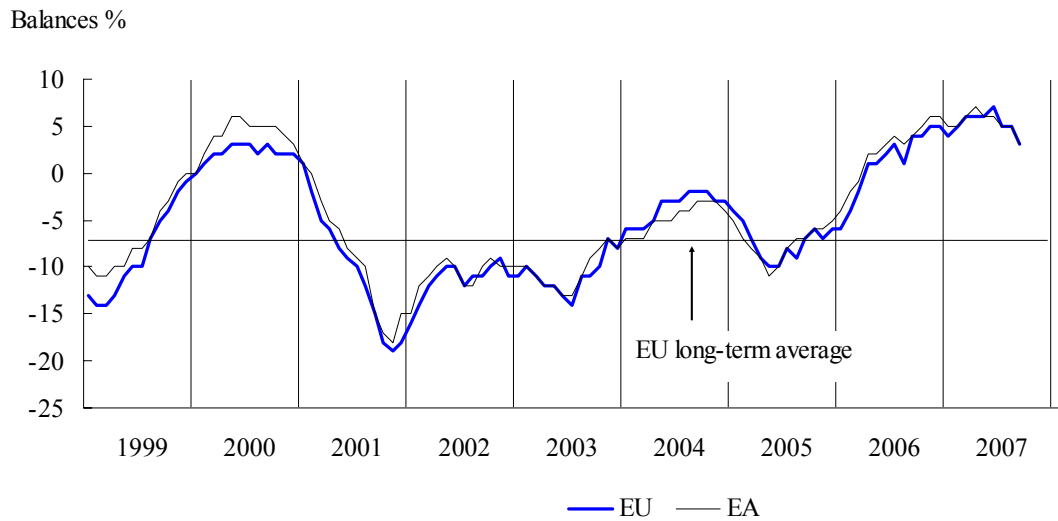


In both regions, the decline in the ESI is reflected in all sectoral indicators apart from the construction confidence indicator, which recovered slightly. The fall in confidence was most pronounced in the retail trade sector.

The vast majority of countries reported decreases in sentiment. Among the large Member States, confidence deteriorated markedly in Germany (-3.6) and Spain (-2.9), and to a lesser extent in France (-1.5) and Italy (-0.8). In Poland (+0.9) and the UK (+1.3) confidence improved.

Industrial confidence indicator (s.a.)

EU: September 3
Euro area: September 3



In September, the industrial confidence indicator declined in both the EU and the euro area. Nevertheless, it remains close to the record-high levels reached a few months ago.

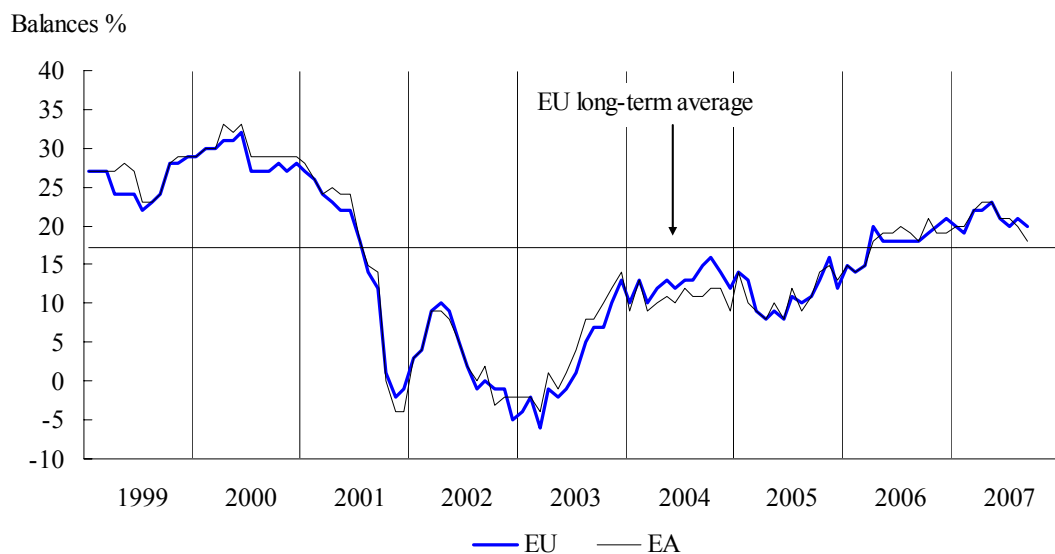
In both areas, all the underlying components of the indicator contributed to the fall in confidence. Managers' assessments of order books deteriorated by two points in the EU and four points in the euro area. Their production expectations and appraisal of the stocks of finished products also worsened but to a lesser extent.

At the country level, the picture is fairly mixed, with half of the large Member States reporting a fall in confidence. The industrial confidence indicator went down in Germany (-3), France (-1) and Italy (-3). In Spain and Poland the indicator remained stable, while it improved in the UK (+3).

A breakdown by main industrial groupings shows that, in both the EU and the euro area, confidence decreased among producers of consumer goods, investment goods and intermediate goods. The fall in confidence was also widespread at the branch level. In the euro area none of the branches showed a positive development, while in the EU only the chemical and textile producers registered a slight increase in confidence.

Service confidence indicator (s.a.)

EU: September 20
Euro area: September 18



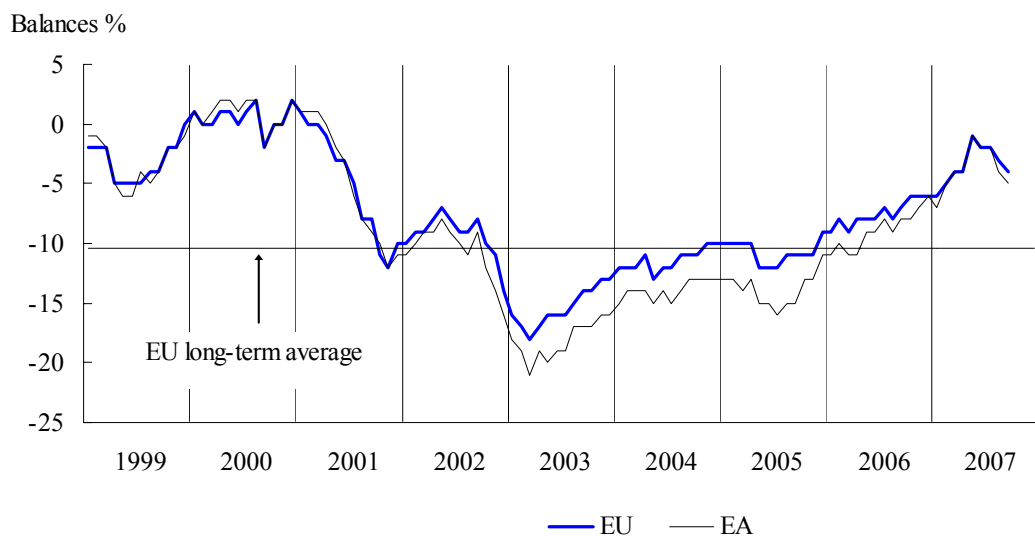
The services confidence indicator edged down in both the EU and the euro area. In the EU, confidence among managers in the services sector still remains above the long-term average, while confidence in the euro area returned to its mean.

In the EU, the decline in the confidence indicator was due to a slight worsening of managers' assessments of all the underlying components: current business situation, recent evolution of demand and expected evolution of demand. In the euro area, the picture is similar, but with a more pronounced deterioration in managers' assessment of both the current business situation and the recent evolution of demand.

At the country level, the results are mixed. Among the large Member States, services confidence worsened considerably in Germany (-7) and Spain (-6), while it improved somewhat in France (+1) and Italy (+2). The indicator remained unchanged in Poland and the UK.

Consumer confidence indicator (s.a.)

EU: September -4
Euro area: September -5



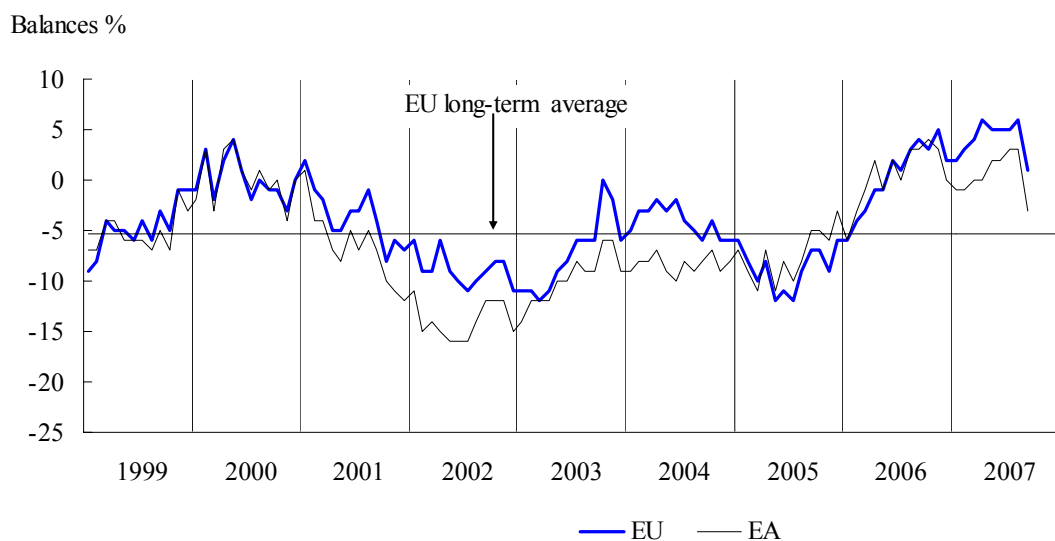
In September, consumer confidence declined further in both the EU and the euro area. Despite the decreases in the past two months, confidence in both areas remains at a high level owing to the overall upward trend of the indicator over the last few years.

Consumers in the EU and the euro area were significantly less optimistic regarding the general economic situation over the next 12 months, and to a lesser extent about unemployment prospects, while their views on savings over the next 12 months remained unchanged. Moreover, their expectations regarding their own financial situation over the next 12 months remained stable in the EU and worsened slightly in the euro area.

At the individual country level, a majority of the countries reported a decrease in confidence. Among the large Member States, consumer confidence worsened in Germany (-3), France (-2) and in the UK (-1), while it improved in Italy (+1) and Poland (+1). In all the large Member States, apart from Italy, consumer confidence remains well above its long-term average.

Retail trade confidence indicator (s.a.)

EU: September 1
Euro area: September -3



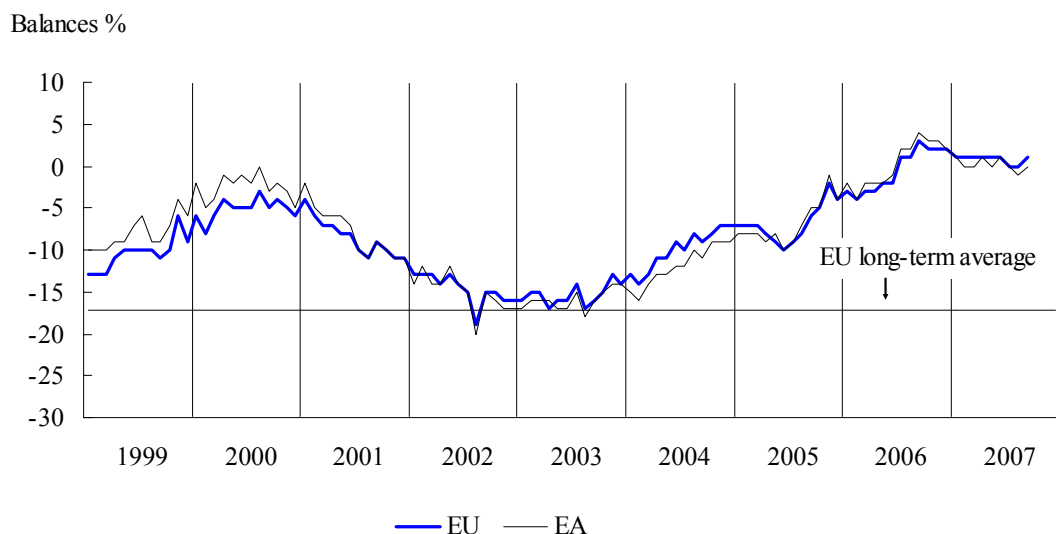
In September, the retail confidence indicator decreased sharply in both the EU and the euro area. Despite this abrupt drop, the indicator is still above its long-term average in both areas.

In the EU and the euro area, the fall in overall confidence was due to a significant worsening in retailers' assessment of both the present and expected business situation. Their views of the volume of stocks also deteriorated somewhat.

Among the large Member States, retail confidence declined substantially in Germany (-7), Spain (-10), Italy (-12), and, to a lesser extent, in France (-3) and in the UK (-1). In Poland confidence remained unchanged for the fourth consecutive month.

Construction confidence indicator (s.a.)

EU: September 1
Euro area: September 0



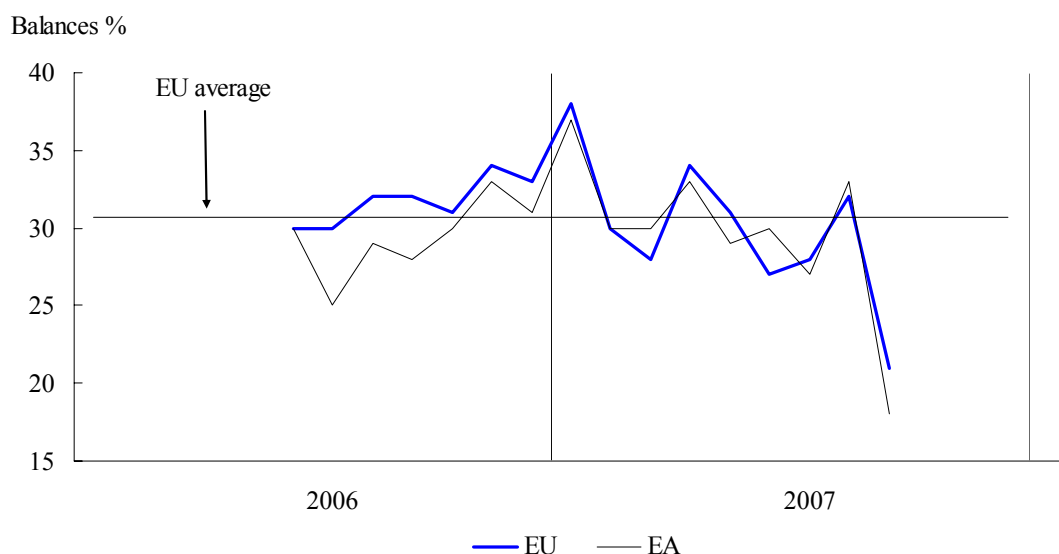
In September, unlike the other sectoral confidence indicators, the construction confidence indicator recovered somewhat in both the EU and the euro area. It has been on a downward trend since the autumn of last year, when it reached a peak, but is still at an historically high level.

In both areas, the increase in construction confidence was driven by an improvement in managers' views of their order books. In the euro area, managers also turned more optimistic regarding employment expectations.

Developments at the individual country level were fairly mixed. Among the large Member States, construction confidence remained stable in Germany, France and Poland. Confidence improved strongly in Spain (+9), and to a much lesser extent in Italy (+1), while it decreased slightly in the UK (-1).

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

EU: September 21
Euro area: September 18



In September, the financial services confidence indicator plummeted in both the EU and the euro area. The strong downturn is most likely a consequence of the recent financial market turmoil. During 2007, before the plunge in September, the indicator, while moving erratically, has generally remained within a few points of its mean.

A look at the indicator's components shows that in both areas the steep fall was mainly due to a sharp worsening in managers' assessments of their business situation and the evolution of demand over the past three months. Their assessment of the evolution of demand expected over the next three months also deteriorated, although less markedly.

These results are derived from the new EU survey in the financial services sector, launched by the European Commission to further increase the sectoral coverage of its survey programme. In line with the schedule of the other business surveys, the survey has been carried out on a monthly basis since April 2006. The objective is to achieve representative results for the EU and the euro area as a whole, rather than for individual Member States.

The next Business and Consumer Survey is due to be published on 31 October 2007.

Full tables are available on:

http://europa.eu.int/comm/economy_finance/indicators/businessandconsumersurveys_en.htm