

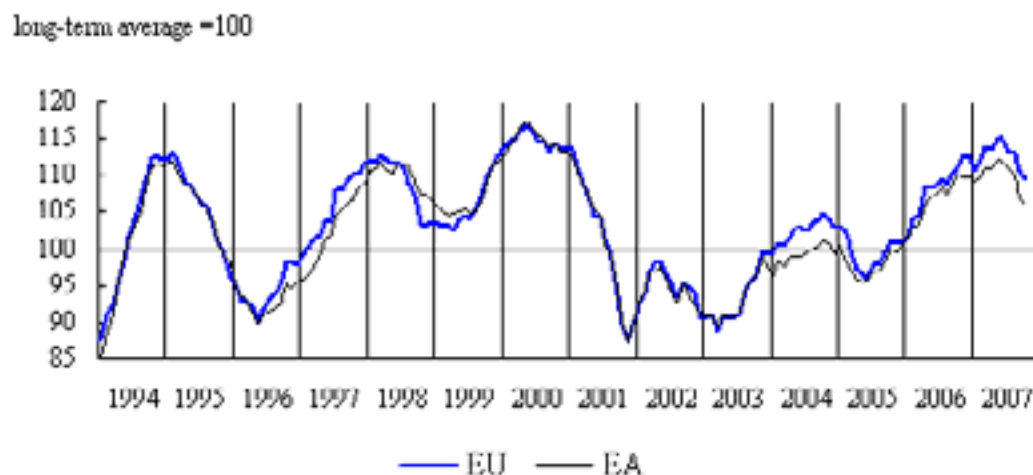
Brussels, 31 October 2007

## October 2007: Further moderate drop in economic sentiment in both the EU and the euro area

*In October, the Economic Sentiment Indicator (ESI) weakened further in both the EU and the euro area. Following last month's sizeable drops, the ESI decreased more moderately by 1.1 points in the EU and by 1 point in the euro area, to 109.5 and 105.9 respectively. However, the indicator still remains well above its long-term average in both areas.*

### Economic sentiment indicator (s.a.)

EU: October 109.5  
Euro area: October 105.9

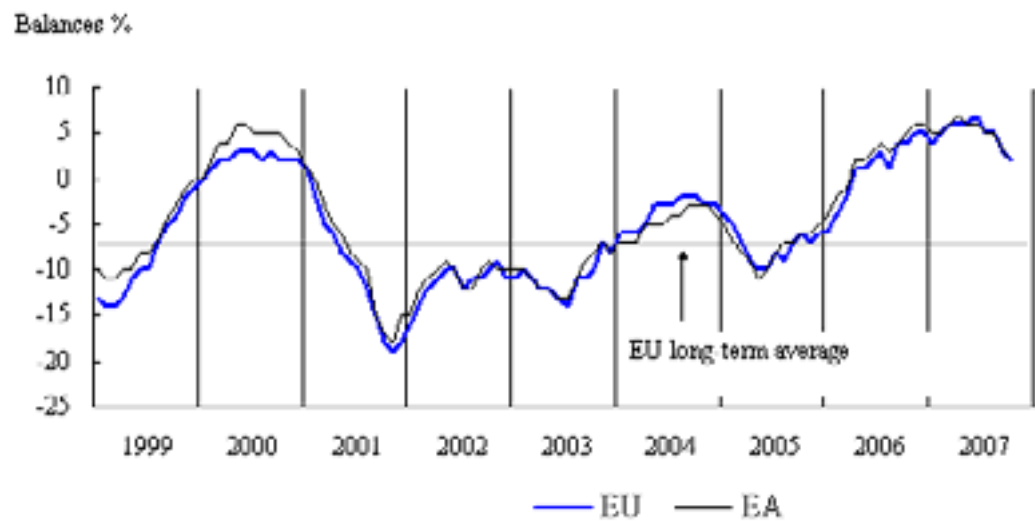


The decrease in the sentiment indicator for the EU is the result of slightly lower confidence in the industry and construction sectors as well as among consumers, while confidence was stable in the services sector and improved somewhat in the retail trade sector. In the euro area, sectoral developments differed only slightly, with confidence in the construction sector decreasing more markedly, by two points, and remaining stable among consumers.

The large majority of countries reported decreases in sentiment in October. Among the large Member States, confidence deteriorated markedly in Spain (-2.6) and the UK (-2.3). The decreases were more muted in Germany (-0.6) and Poland (-0.9). In France (+0.1) and Italy (-0.2), economic sentiment remained virtually unchanged.

## Industrial confidence indicator (s.a.)

EU: October 2  
Euro area: October 2



In October, the industrial confidence indicator continued to decline, losing one point in both the EU and the euro area. Nevertheless, the level of the indicator still remains far above its long-term average.

In the EU, all the underlying components of the indicator contributed to the fall in confidence. While managers' assessments of order books and the stocks of finished products deteriorated in the euro area as well, production expectations remained stable.

The majority of EU Member States reported a decrease in industrial confidence in October. Among the large Member States, confidence declined in Germany (-2), Spain (-5) and the UK (-4). The industrial confidence indicator remained unchanged in France and Poland and improved slightly in Italy (+1).

## Service confidence indicator (s.a.)

EU: October 19  
Euro area: October 18



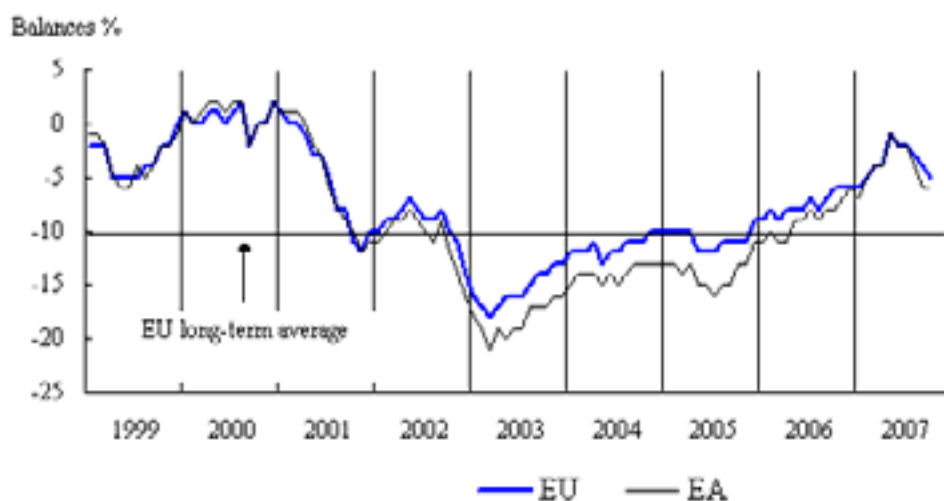
The services confidence indicator remained stable in both the EU and the euro area in October. As a consequence, confidence among managers in the services sector remains above and at the long-term average in the EU and the euro area respectively.

In the EU, the decline in the confidence indicator was the net result of a worsening in managers' assessment of both the current business situation and the recent evolution of demand, and a pick-up in their demand expectations. By contrast, the expected evolution of demand remained unchanged in the euro area, while the current business situation was assessed slightly more positively.

At the country level, the results are mixed but changes are of muted amplitude overall. Among the large Member States, services confidence recovered somewhat in Germany (+1) and Italy (+1), and remained stable in France. Slight deteriorations were registered in Spain (-1), Poland (-2) and the UK (-1).

## Consumer confidence indicator (s.a.)

EU: October -5  
Euro area: October -6



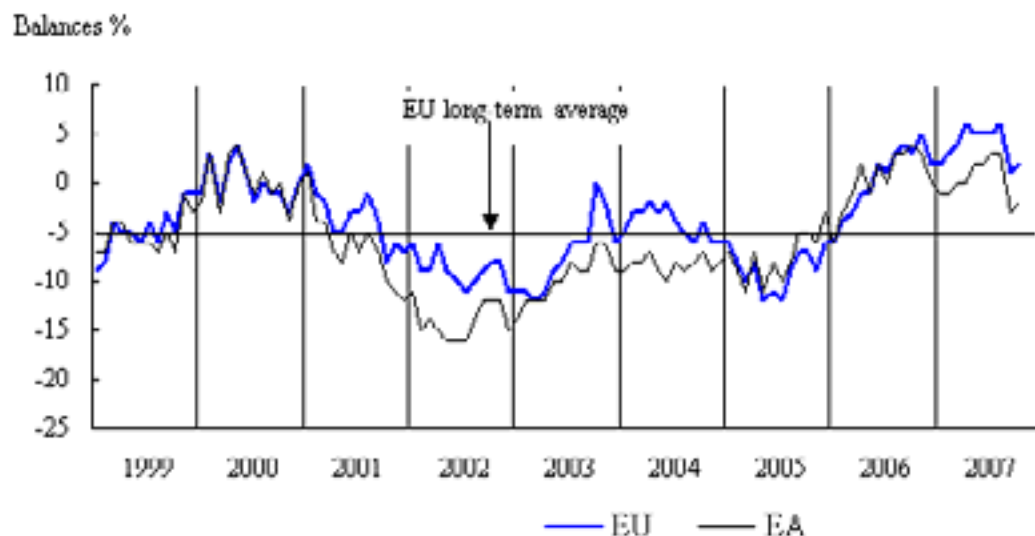
In October, consumer confidence declined further in the EU while remaining unchanged in the euro area. Despite the decreases registered since May of this year, confidence in both areas remains at a relatively high level.

Consumers in both areas were more pessimistic regarding their savings over the next 12 months. Consumers' expectations regarding their financial situation over the next 12 months improved slightly in the EU and remained stable in the euro area. Prospects over the next 12 months regarding the general economic situation and unemployment remained unchanged in the EU while consumers in the euro area became slightly more confident.

At the individual country level, a majority of the countries reported a decrease in confidence, but the changes were fairly muted overall. Among the large Member States, consumer confidence worsened by 2 points in France, Spain and Italy and by one point in Poland. On the other hand, it improved by one point in Germany and the UK.

## Retail trade confidence indicator (s.a.)

EU: October 2  
Euro area: October -2



After last month's sharp drop, the retail confidence indicator recovered by one point in October in both the EU and the euro area.

While the assessment of the current business situation picked up only slightly in both the EU and the euro area, retailers' business expectations recovered more markedly. Their assessment of the volume of stocks deteriorated somewhat in the euro area but remained stable in the EU.

At the country level, the results are fairly mixed. Focusing on the large Member States, however, October developments are predominantly positive, with confidence increasing in Germany (+3), Spain (+4), Italy (+3) and Poland (+1) and remaining stable in the UK. Only retailers in France reported further deteriorating confidence (-2).

## Construction confidence indicator (s.a.)

EU: October 0  
Euro area: October -2



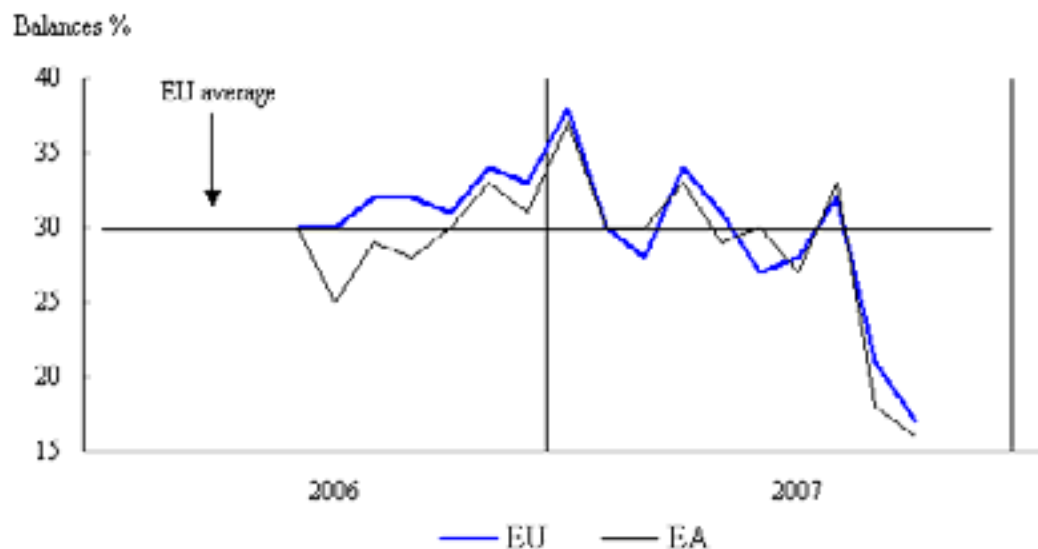
Following last month's slight pick-up, the construction confidence indicator decreased in October in both the EU and the euro area. Despite the muted downward trend followed for roughly one year, the indicator remains at a historically high level.

In both areas, the decrease in construction confidence was driven by a worsening of managers' views of their order books and of their employment expectations.

Developments at the individual country level were fairly mixed. Among the large Member States, construction confidence weakened by one point in France, Italy and Poland and dropped more sizeably, by seven points, in Spain. On the other hand, it improved in Germany (+1) and the UK (+2).

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

EU: October 17  
Euro area: October 16



Following last month's slump, the financial services confidence indicator fell somewhat further in both the EU and the euro area in October. While the decrease was fairly muted in the euro area (-2), the indicator fell by four points in the EU.

All three underlying components contributed to the fall in the EU indicator, with a further worsening in managers' assessments of their business situation over the past three months as well as of the past and expected evolution of demand. The relatively more positive result in the euro area is mainly due to a stabilisation in managers' assessment of their business situation over the past three months.

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 30 November 2007.

Full tables are available on:

[http://ec.europa.eu/comm/economy\\_finance/indicators/businessandconsumersurveys\\_en.htm](http://ec.europa.eu/comm/economy_finance/indicators/businessandconsumersurveys_en.htm)