

Brussels, 31 March 2008

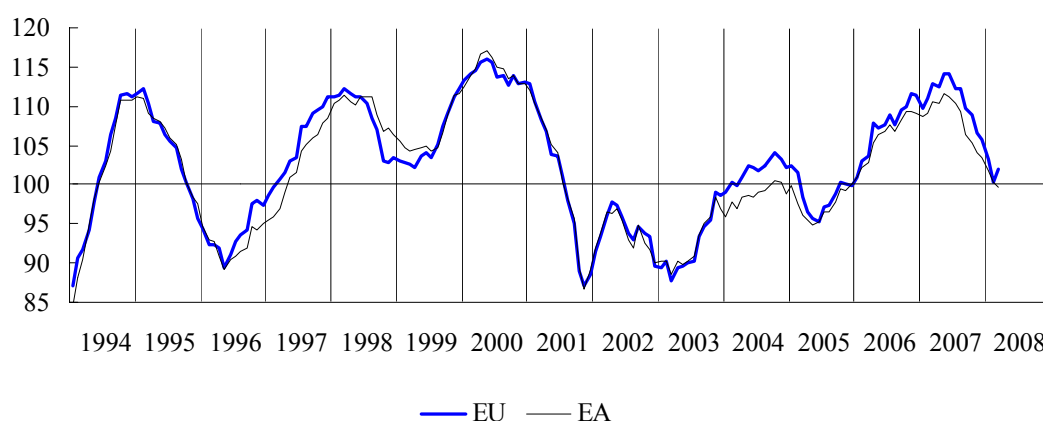
## March 2008: Economic sentiment recovers slightly in the EU, while declining further in the euro area

*In March, the Economic Sentiment Indicator (ESI) rose by 1.7 points in the EU and decreased by 0.6 points in the euro area, to 102.0 and 99.6 respectively. Following a continuous decline since mid-2007, the indicator rebounded somewhat in the EU on the back of a sharp improvement in services confidence in the UK. Meanwhile, it weakened further in the euro area and now stands just below its long-term average.*

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

EU: March 102.0  
Euro area: March 99.6

long-term average =100



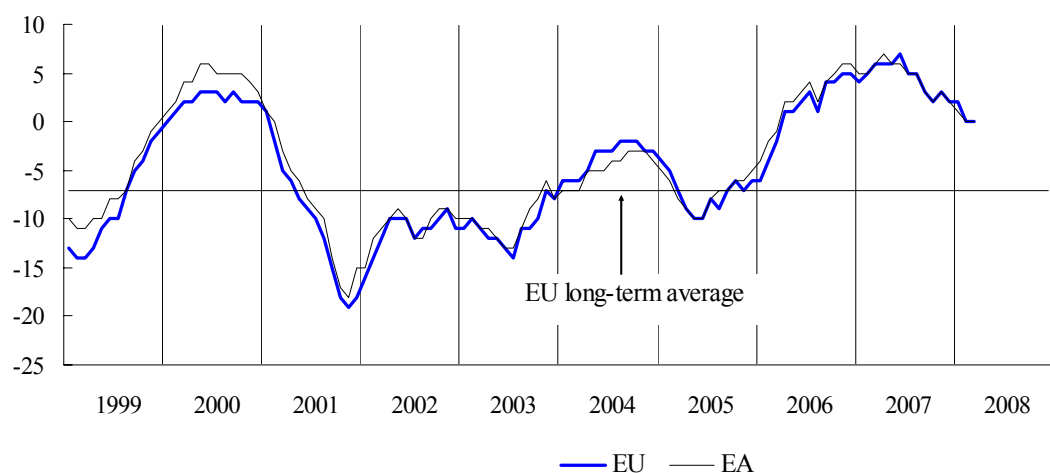
The increase in the sentiment indicator for the EU is due to significantly higher confidence in the services sector, while confidence in manufacturing, construction and retail trade remained broadly stable. In the euro area, sectoral developments were somewhat different, with confidence decreasing slightly in services and construction. Consumer confidence stayed unchanged in both areas.

At the country level, the picture is mixed, with around half of the countries registering a decline in economic sentiment in March, while the other half saw sentiment improve. Among the large Member States, confidence improved considerably in the UK (+10.1) and to a lesser extent in Poland (+1.2) and Germany (+0.3), while remaining stable in France. Confidence weakened further in the Netherlands (-4.1), Spain (-3.6) and Italy (-1.2).

## Industrial confidence indicator (s.a.)

EU: March 0  
Euro area: March 0

Balances %



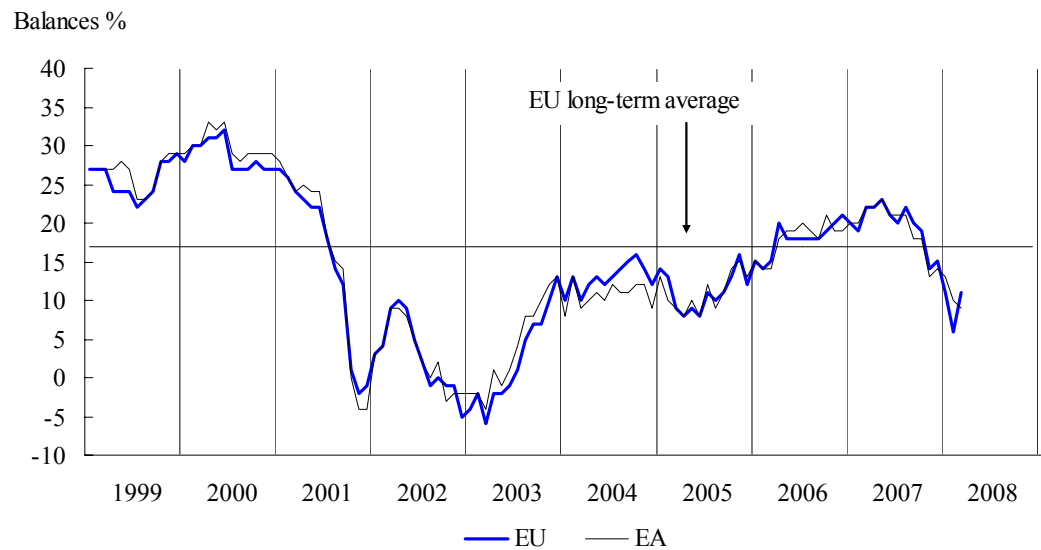
In March, the industrial confidence indicator remained unchanged in both the EU and the euro area. Despite the downward trend observed since mid-2007, the indicator still stands well above its long-term average in both areas.

In both the EU and the euro area, industrial managers gave a slightly more optimistic assessment of their order books. While managers' production expectations declined further in the euro area, they remained stable in the EU. Their views regarding the stocks of finished products were unchanged in both regions.

Among the large Member States, industrial confidence decreased in the Netherlands (-3), Italy (-1), Spain (-1), and Poland (-1), while it improved in the UK (+4) and France (+1). Industrial confidence remained unchanged in Germany.

## Service confidence indicator (s.a.)

EU: March 11  
Euro area: March 9



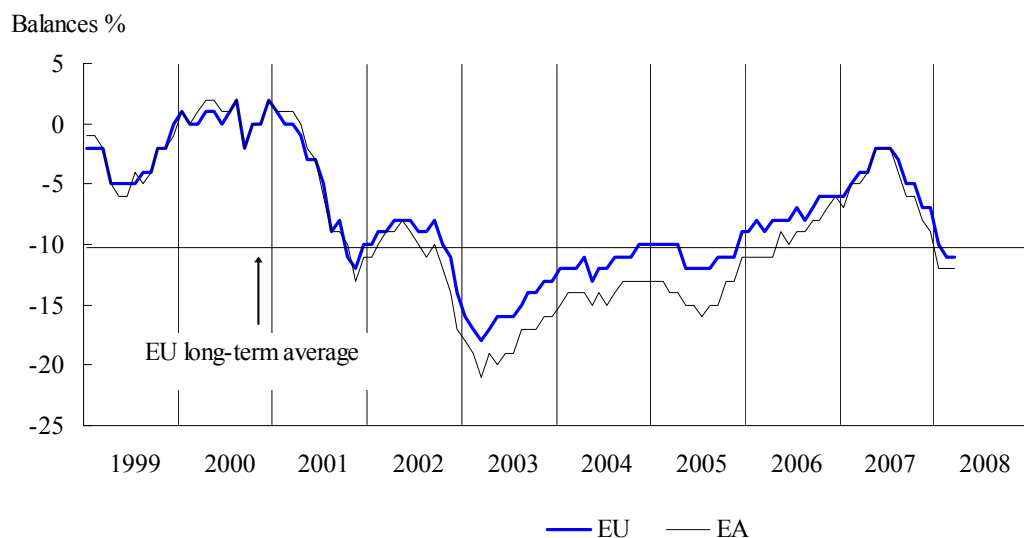
Following a decline in February, the services confidence indicator for the EU rebounded in March. Services confidence continued, however, to worsen in the euro area. The indicator, which has been on a downward trend since June 2007, is currently below its long-term average in both areas.

In the EU, the increase in the confidence indicator was due to a surge in all underlying components. Managers' appraisal of the current business situation rose by seven points, their assessment of the recent evolution of demand by four points, and their demand expectations by two points. In the euro area, on the other hand, managers' demand expectations as well as their assessment of the current business situation continued to decrease. Furthermore, managers' appraisal of the recent evolution of demand turned down.

The majority of countries reported increases in sentiment in March. Among the large Member States, services confidence increased considerably in the UK (+28), which to a large extent explains the divergent developments in the EU and the euro area. Smaller increases were also recorded in Poland (+3), Germany (+1) and France (+1), while the indicator declined in Spain (-8), Italy (-5) and the Netherlands (-1).

## Consumer confidence indicator (s.a.)

EU: March -11  
Euro area: March -12



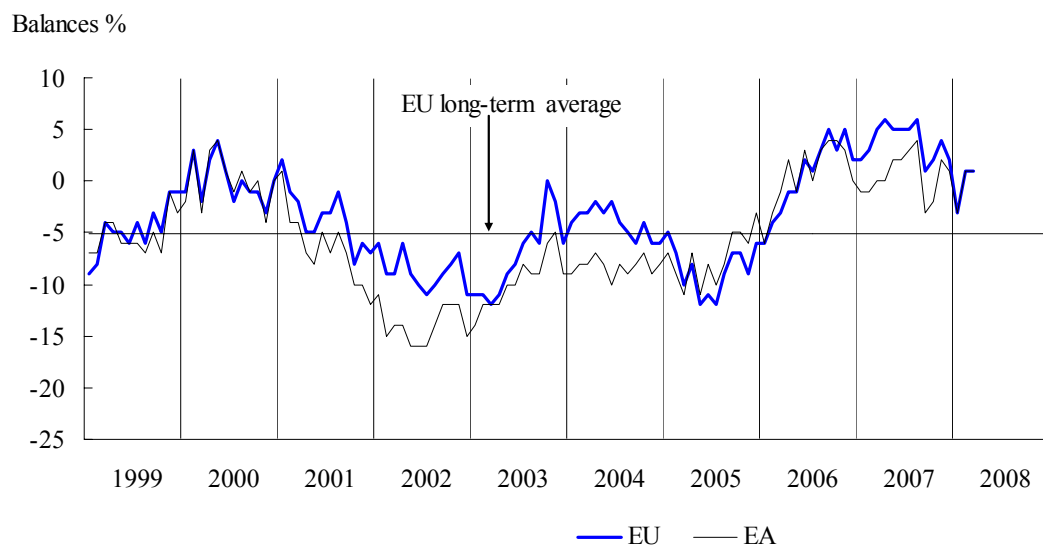
In March, consumer confidence remained unchanged in both the EU and the euro area. The indicator has been on a downward path since its peak in May 2007 and currently stands below its long-term average in both areas.

In the EU, households' expectations regarding their own financial situation and their views on their own savings over the next 12 months declined slightly, while their expectations regarding the general economic situation and unemployment over the next 12 months were stable. By contrast, in the euro area, consumers' expectations regarding the general economic situation and unemployment improved somewhat. Moreover, households' expectations regarding their own financial situation remained unchanged, while their views on savings decreased.

At the individual country level, the picture is mixed. Among the large Member States, consumer confidence increased in Spain (+2) and Germany (+1), while decreasing in Italy (-2), France (-1) and the UK (-1). Consumer confidence was stable in the Netherlands and Poland.

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

EU: March 1  
Euro area: March 1



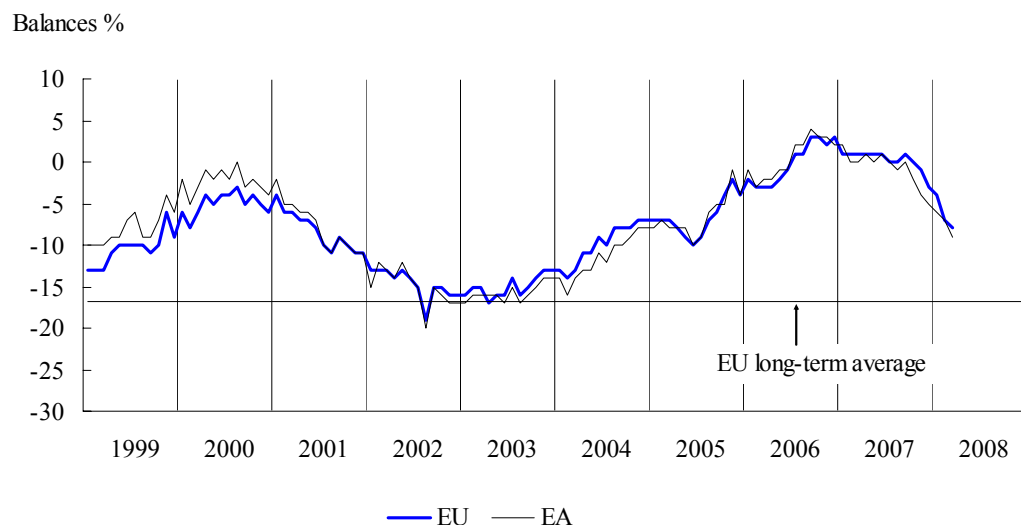
In both the EU and the euro area, following an upturn in the previous month, the retail confidence indicator remained stable in March. The indicator stands above its long-term average in both areas.

In both areas, retailers' views on the expected business situation worsened. Retailers' assessment of the present business situation improved in the EU, while remaining stable in the euro area. Views concerning the volume of stocks remained unchanged among EU retailers, while improving further among euro-area retailers.

At the country level, the results are divergent. Among the large Member States, confidence increased in Poland (+2), Germany (+1) and the UK (+1), while deteriorating in Spain (-3) and France (-2). Retail confidence was unchanged in Italy.

## Construction confidence indicator (s.a.)

EU: March -8  
Euro area: March -9



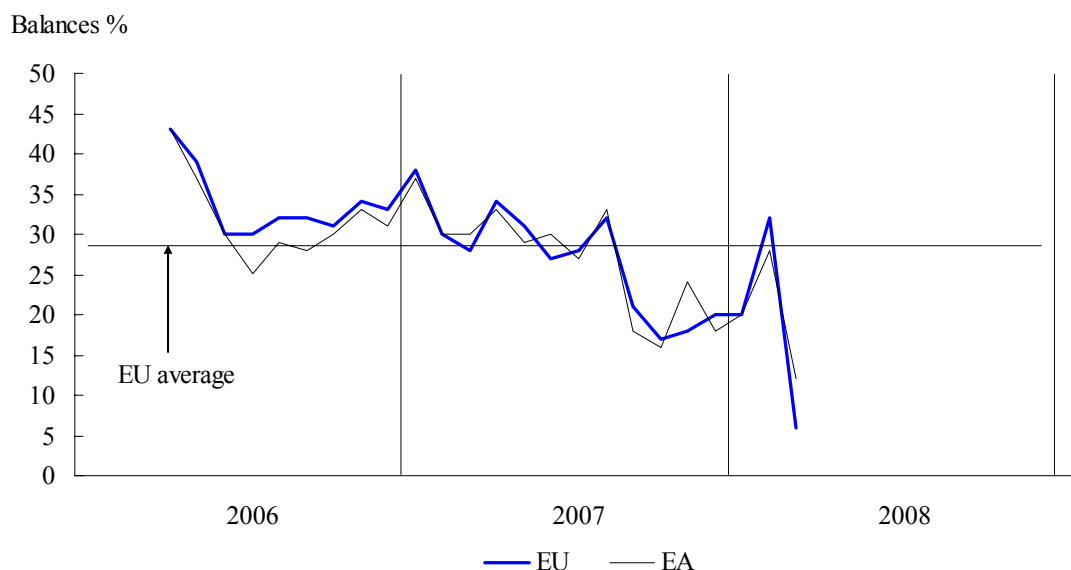
The construction confidence indicator declined further in March in both the EU and the euro area. The indicator has been on a downward trend since the autumn of 2006, but stands nevertheless still clearly above its long-term average.

Looking at the underlying components, construction managers' assessment of order books declined in both the EU and the euro area. In both areas, managers held also more negative employment expectations than in February.

A majority of the countries reported decreases in sentiment in March, with quite substantial drops in some of them. Among the large Member States, construction confidence weakened in Poland (-5), the UK (-4), Germany (-2), Spain (-2) and the Netherlands (-1). Confidence strengthened in both France (+2) and Italy (+2).

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

EU: March 6  
Euro area: March 12



Following a rebound in February, the financial services confidence indicator plummeted in both the EU and the euro area in March. As a consequence, the level of indicator reached an all-time low in both areas.

In both regions, the three underlying components contributed to the drop of the indicator. In other words, managers' assessments of their business situation over the past three months as well as of the past and expected evolution of demand worsened substantially.

These results are derived from the 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. To this end, only a subset of countries is surveyed, which gives rise to higher volatility than if all countries were included.

The next Business and Consumer Survey is due to be published on 30 April 2008.

Full tables are available on:

[http://ec.europa.eu/economy\\_finance/db\\_indicators/db\\_indicators8650\\_en.htm](http://ec.europa.eu/economy_finance/db_indicators/db_indicators8650_en.htm)