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European Business Cycle Indicators

The impact of selected factors on consumers' views of the economy

1st Quarter 2025

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European Commission
Directorate-General for Economic and Financial Affairs

European Business Cycle Indicators

1st Quarter 2025

Special topic

The impact of selected factors on consumers' views of the economy

This document is written by the staff of the Directorate-General for Economic and Financial Affairs, Directorate A for Policy, Strategy, Coordination and Communication, Unit A3 - Economic Situation, Forecasts, Business and Consumer Surveys (http://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/business-and-consumer-surveys_en).

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CONTENTS

LIST OF TABLES

LIST OF GRAPHS

OVERVIEW

Developments in survey indicators over the first quarter of 2025

- Despite a setback in March, the EU and euro-area (EA) **Economic Sentiment Indicators** increased by 1.6 points over the first quarter of 2025 to 96.0 for the EU and 95.2 for the EA. Economic sentiment continues to score noticeably below its long-term average of 100.

- The EU/EA **Employment Expectations Indicator**, on a downward sloping trend since early 2023, remained relatively stable over the first quarter. In March, the indicator stood -0.5 (EU)/-0.3 (EA) points below its December 2024 reading, undercutting its long-term average in both regions.

- **EU confidence** improved only in industry, while it worsened in services and retail trade. Confidence among construction managers and consumers remained broadly stable over the first quarter.

- **Economic sentiment improved in three out of the six largest EU economies** and remained broadly stable in the other three. The indicator increased significantly in France (+3.5) and Germany (+2.7), and moderately in Poland (+1.6). Confidence in Spain (+0.6), the Netherlands (-0.1) and Italy (-0.6) hardly changed. The level of economic sentiment is below long-term average in Germany, France and Italy, while it remains close to it in the Netherlands and Poland. Sentiment remains above its long-term average only in Spain.

- The EU/EA **Economic Uncertainty Indicator** declined slightly over the first quarter of 2025 in both regions. From a sectoral perspective, uncertainty about the future business situation decreased in industry. However, uncertainty about the future business situation remained broadly stable in all other business sectors and, concerning their future financial situation, among consumers.

- In January 2025, **capacity utilisation** continued its downward trend in the EU, edging down by another 0.2 percentage points. Yet, capacity utilisation in the euro area remained unchanged. At around 77% in both regions, capacity utilisation in industry is below its long-term average of 80½%. Capacity utilisation in services edged up in the EU (+0.3 pps.), while it edged down in the EA (-0.3 pps.). At 90.5% (EU) and 90.2% (EA), capacity utilisation was above its long-term average of around 89¼ % in both regions.

- In January, the share of industry managers citing **insufficient demand** as a factor limiting their production edged down in the EU, but remained at a high level close to 40%. The percentage of managers pointing to **shortage of labour force** and **shortages of material and/or equipment** picked up somewhat after having declined since mid-2022. The share of managers pointing to financial constraints as a limiting production factor remained comparatively low and broadly stable.

- **Consumers' quantitative perceptions of price developments** over the past 12 months eased for the seventh quarter in a row but remains exceptionally high. **Quantitative price expectations** for the next 12 months resumed their downward trend and edged down in the first quarter of 2025.

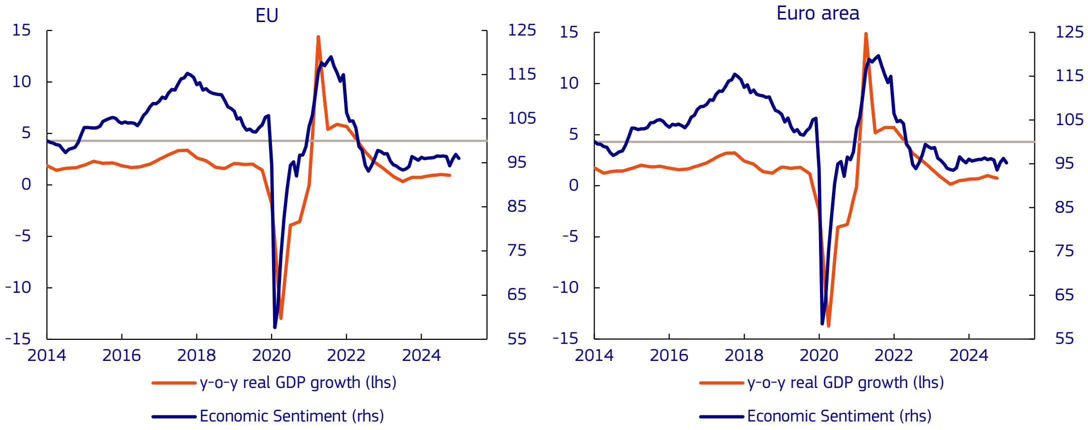
Special topic: The impact of selected factors on consumers' views of the economy

The special topic examines the impact of selected factors on consumers' views of their country's economic situation, based on a supplementary ad hoc question added to the February/March 2025 waves of the consumer survey. The analysis assesses the responses at the EU level, as well as by country and socio-economic characteristics of the respondents. The findings highlight that inflation, and the high cost of living continue to rank high in consumers' concerns about their country's economy. Global and domestic political developments, climate change, and changes in taxes and public policies are also predominantly viewed as negatively affecting the economy. In contrast, technological change is the only factor where positive views outweigh negative ones.

1. RECENT DEVELOPMENTS IN SURVEY INDICATORS IN EU AND EA

After remaining broadly flat throughout the first three quarters of 2024, the EU and euro-area (EA) **Economic Sentiment Indicators (ESI)** have been showing slightly more volatility as of the fourth quarter of 2024. After a noticeable decrease by the end of 2024, the ESI for the EU and the EA partially bounced back in the first quarter of 2025, despite a renewed setback in March. Between December 2024 and March 2025, the ESI increased by 1.6 points in both areas to 96.0 for the EU and to 95.2 for the EA (see Graph 1.1).

Graph 1.1: **Economic Sentiment Indicator**

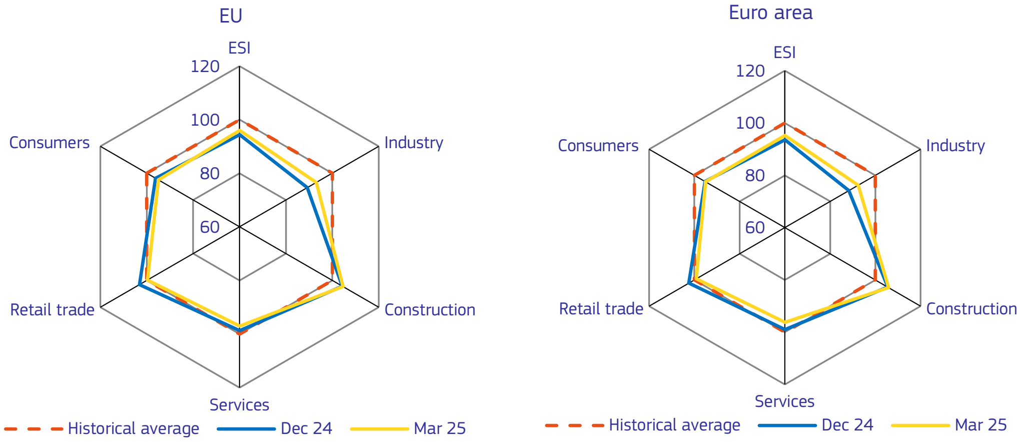


(1) The horizontal line (rhs) marks the long-term average of the survey indicators. Confidence indicators are expressed in balances of opinion and hard data in y-o-y changes. If necessary, monthly frequency is obtained by linear interpolation of quarterly data.

Source: European Commission.

From a sectoral perspective, EU confidence improved only in industry, while it worsened in services and retail trade. Confidence among construction managers and consumers remained broadly stable over the first quarter (see Graph 1.2). Developments in the EA were broadly in line with those in the EU, even if both the improvement in industry and decline in services and retail trade were slightly more pronounced in the EA. In March, confidence was above the long-term average in construction in both areas, while it scored low by historical standards in industry and, to a lesser extent, among consumers and services. Confidence in retail trade fell below the long-term average but stayed close to it.

Graph 1.2: **Radar Charts**



(1) A development away from the centre reflects an improvement of a given indicator. The ESI is computed with the following sector weights: industry 40%, services 30%, consumers 20%, construction 5%, retail trade 5%. Series are normalised to a mean of 100 and a standard deviation of 10. Historical averages are generally calculated from 2000q1. For more information on the radar charts see the Special Topic in the 2016q1 EBCI.

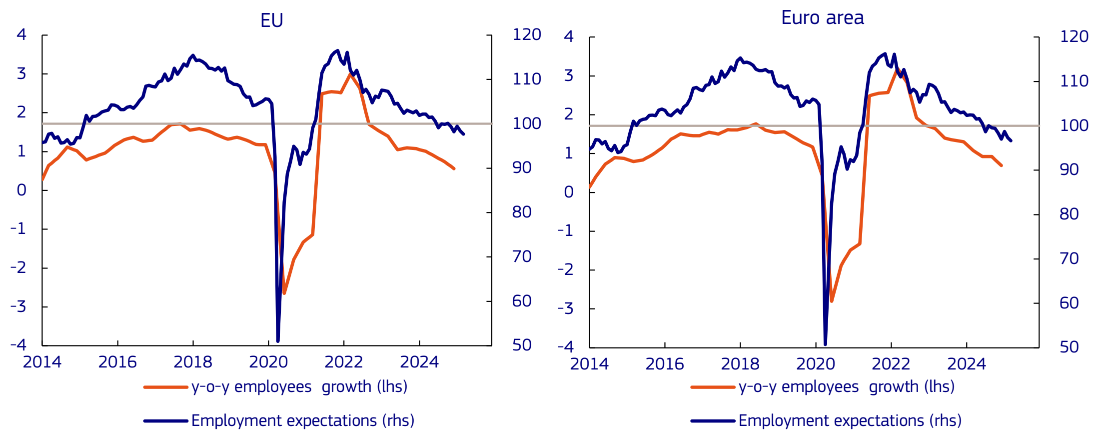
Source: European Commission.

In the first quarter of 2025, economic sentiment improved in three out of the six largest EU economies and remained broadly stable in the other three. The indicator increased significantly in France (+3.5) and Germany (+2.7), and moderately in Poland (+1.6). Confidence in Spain ([1]) (+0.6), the Netherlands (-0.1) and Italy (-0.6) hardly changed. The level of economic sentiment is significantly below the long-term average in Germany and moderately so in France and Italy, while it remains close to the long-term average in the Netherlands and Poland. Sentiment remains above its long-term average only in Spain.

In line with the ESI, the **HCOB Flash Eurozone Composite PMI Output Index** increased by 1.3 points from December 2024 to March 2025, reaching 50.9, which is above the critical 50-point threshold that separates positive from negative growth. ([2])

The EU/EA **Employment Expectations Indicator (EEI)** has been on a downward sloping trend since early 2023, but remained relatively stable over the first quarter of 2025 (see Graph 1.3). In March, the indicator stood -0.5 (EU)/-0.3 (EA) points below its December reading, undercutting its long-term average in both regions. At the sector level, employment expectations were also broadly stable in the industry, retail trade and construction sectors; only in the services sector did employment expectations worsen.

Graph 1.3: **Employment expectations indicator**



Source: European Commission.

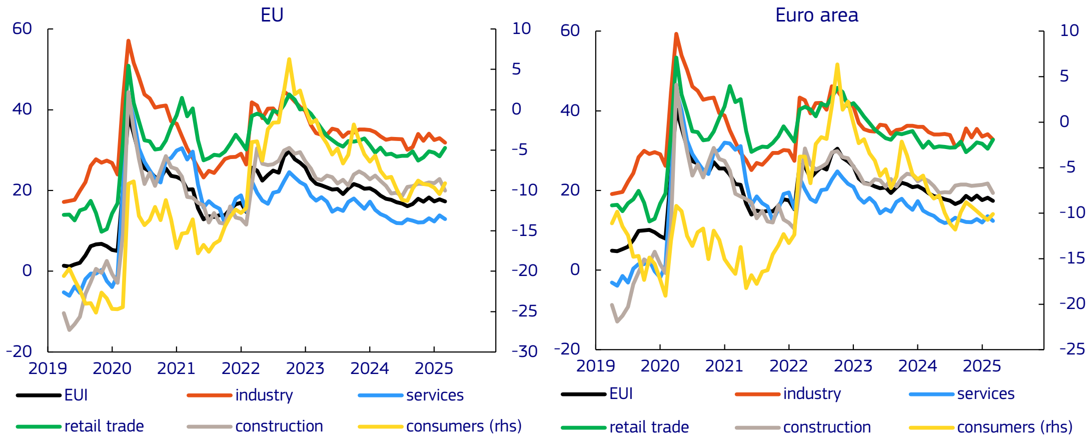
The EU/EA **Economic Uncertainty Indicator (EUI) ([3])** declined slightly over the first quarter of 2025 in both regions. From a sectoral perspective, uncertainty about the future business situation decreased in industry, in line with the general improvement in this particular sector. However, uncertainty about the future business situation remained broadly stable in all other business sectors and, concerning their future financial situation, among consumers (see Graph 1.4).

([1]) The values for the ESI in Spain are based on industry and construction survey data only as, since October 2024, the surveys for Spain in services, retail trade and among consumers are temporarily suspended.

([2]) Contrary to the ESI, PMI does not include consumer, construction, and retail trade data, and is based on a different set of questions. For a systematic comparison of the two indicators, see the special topic in the 2017-Q2 EBCI.

([3]) See the special topic of the 2021-Q3 EBCI for background, and section 3.6 of the BCS User Guide for methodological details.

Graph 1.4: **Uncertainty**



Source: European Commission.

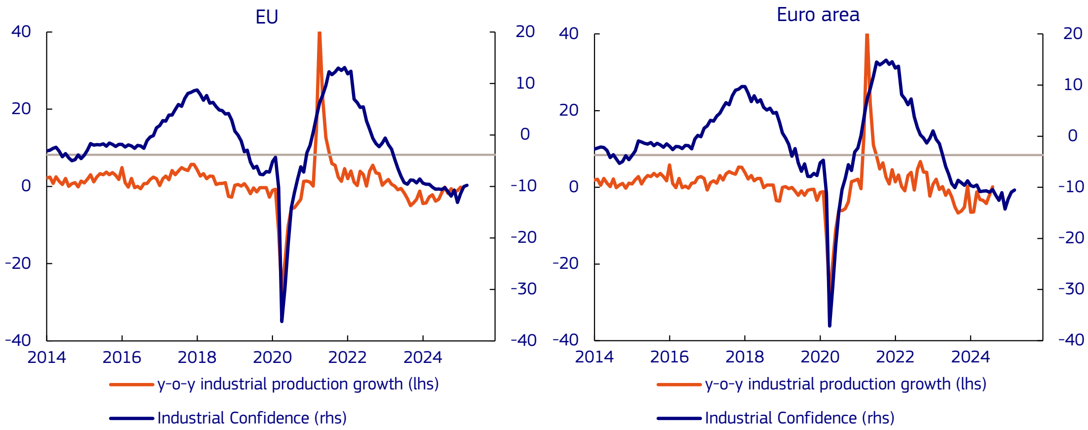
Sector developments

Industry confidence improved significantly compared to the end of last year, climbing 3.3 points in the EU and 3.6 points in the EA over the first quarter of 2025. The indicator remains, however, well below its long-term average (see Graph 1.5).

Zooming in on the components of industrial confidence in the EU, managers' **production expectations** and assessments of **stocks of finished products** improved significantly over the quarter. Managers' assessments of their **order books** remained broadly stable.

Of the components not included in the confidence indicator, managers' appraisals of **changes in production over the past 3 months** also improved, while their assessment of the **current export order books** remained broadly stable.

Graph 1.5: **Industry Confidence indicator**

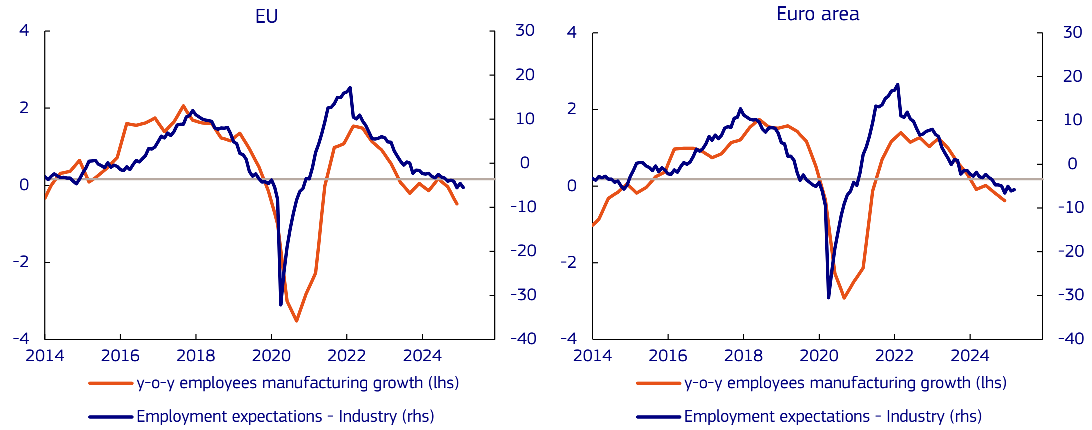


Source: European Commission.

Industry managers' **employment expectations** (see Graph 1.6) hardly changed between December 2024 and March 2025 (-0.5 in the EU and -0.3 in the EA). Manager's **selling price expectations** increased in both the EU and the euro area over the quarter (+3.1 in the EU, +3.5 in the EA). In both areas, selling price expectations stand significantly above their historical mean in March.

Industry confidence improved in four out of the six largest EU economies. It improved considerably in Germany (+7.5), and more moderately in France (+2.6), Poland (+2.3) and Italy (+1.0), while remaining broadly stable in the Netherlands (+0.5). Only in Spain did industrial confidence decrease (-1.0). Both Spain and the Netherlands score slightly above their respective historical average. Confidence in the other large Member States remains below the historical averages, particularly in Germany.

Graph 1.6: **Employment expectations in Industry**



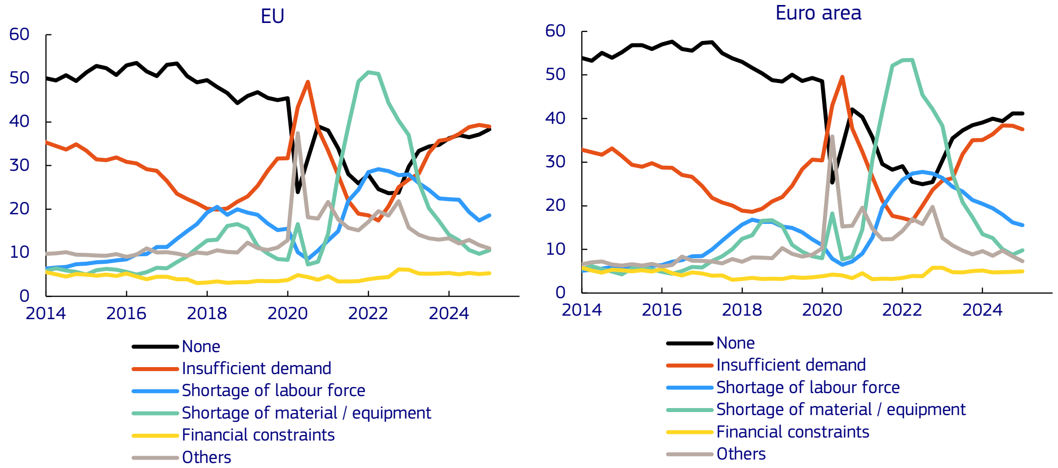
Source: European Commission.

According to the quarterly manufacturing survey (carried out in January), **capacity utilisation** continued its steady downward trend in the EU observed since spring 2022, edging down by another 0.2 percentage points. However, capacity utilisation in the euro area remained unchanged compared to October 2024. At 77.3% (EU) / 77.2% (EA), capacity utilisation is below its long-term average of 80.5% (EU) / 80.6% (EA). ([4])

The share of industry managers citing insufficient demand as a **factor limiting their production** edged down by 0.4 percentage points to 38.9% (EA: -0.8 pps. to 37.6%) in January (see Graph 1.7), after ten quarters of continuous rise. Meanwhile, the percentage of managers pointing to shortage of labour force (+1.2 pps. to 18.6%) and shortages of material and/or equipment (+0.8 pps. to 10.6%) increased as factors limiting production. The share of managers pointing to financial constraints as a limiting production factor remained comparatively low (5.3%) and broadly stable compared to October.

([4]) As from March 2025, the publication of business and consumer survey results for Ireland was resumed. The inclusion of new Irish data collected since August 2024 therefore causes a revision of the quarterly figures on EU/EA capacity utilisation and factors limiting production for the industry and services sector published in January 2025.

Graph 1.7: **Industry – Factors limiting production (in %)**

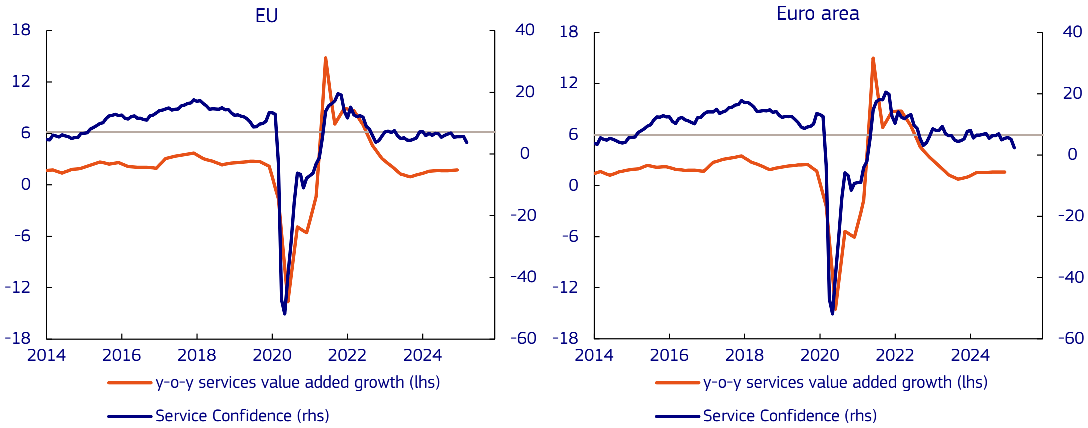


Source: European Commission.

Services confidence declined markedly over the first quarter of 2025 in both the areas (-1.9 in the EU and -3.0 in the EA), after three quarters of broad stability. This downward shift drove services confidence below its long-term average in both regions (see Graph 1.8).

The fall in services confidence was brought about by a broad-based decline in all three components of the indicator, as managers' **demand expectations** deteriorated the most, followed by their assessment of the **past business situation**. Managers' assessment of **past demand** also worsened, but to lesser extent.

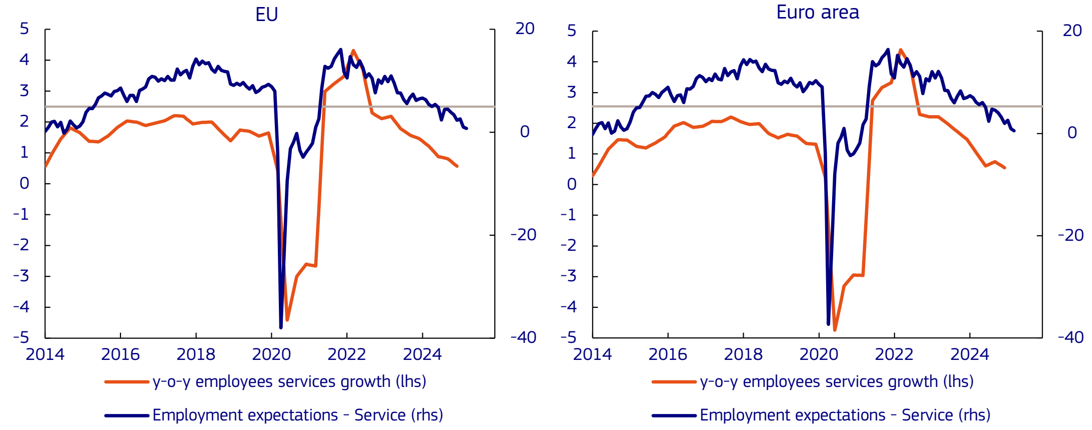
Graph 1.8: **Services Confidence indicator**



Source: European Commission.

Employment expectations in services declined for a second consecutive quarter over the first quarter of 2025 in both areas. Compared to their December level, the indicators decreased by 1.6 points in the EU and 1.4 points in the EA, falling further below long-term average (see Graph 1.9). Managers' **selling price expectations** declined moderately over the quarter, by 2.0 points in the EU and by 1.8 points in the EA, remaining significantly above the long-term averages.

Graph 1.9: **Employment expectations in services**



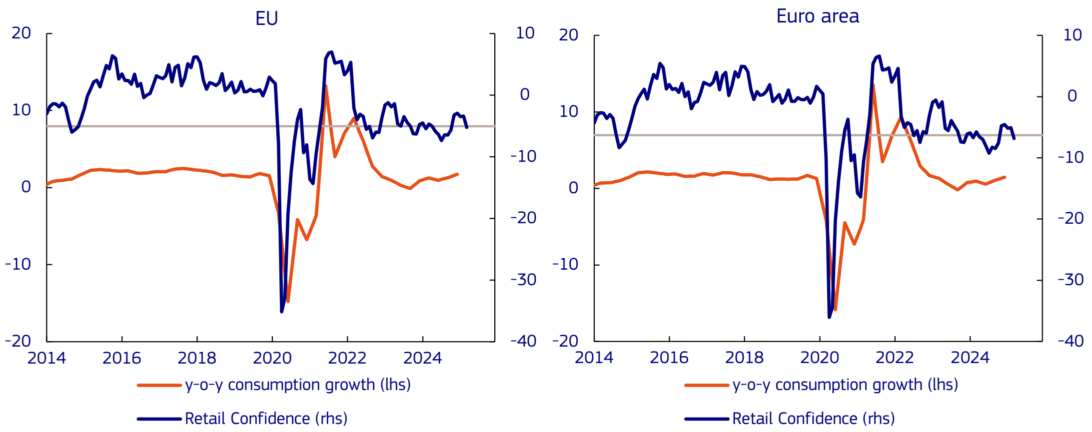
Source: European Commission.

Among the five ([5]) largest EU economies, all saw services confidence decline. In Italy (-4.4) services confidence dropped sharply, while in France (-2.3) it declined to a lesser degree. In the other three large economies confidence moved down in Germany (-1.9), the Netherlands (-1.4) and Poland (-1.1). The confidence level remained above its long-term average in the Netherlands, while registering below average in the other countries, and especially in Germany.

Between October 2024 and January 2025, **capacity utilisation in services** edged up by 0.3 percentage points in the EU, while it edged down by the same amount in the EA. At 90.5% (EU) and 90.2% (EA), capacity utilisation was above its long-term average of around 89¼ % in both regions.

Retail trade confidence worsened in both the EU (-2.3) and the EA (-2.2) over the first quarter of 2025, mainly due to a significant drop registered in March. As it deteriorated, the confidence indicator for both the EU and the EA moved slightly below its respective long-term average (see Graph 1.10).

Graph 1.10:**Retail Trade Confidence indicator**



Source: European Commission.

In both areas, the three confidence components (i.e., retailers' assessments of the **past** and **future business situation** and the **volume of stocks**) deteriorated over the quarter, but mainly in March. The main concern for retailers was their assessment of the future business situation, which took a big hit during the quarter.

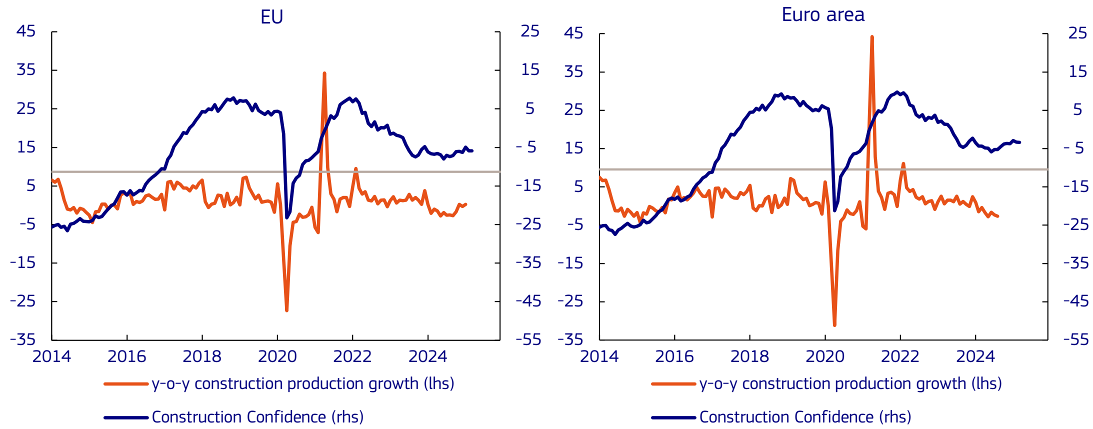
([5]) Since October 2024, the services survey for Spain is temporarily suspended.

At the level of the five ([6]) largest EU economies, retailers' confidence worsened markedly in Germany (-3.9), and to a lesser extent in Italy (-2.8), France (-2.2) and Poland (-1.2). The only country to register an improvement in retail trade confidence was The Netherlands (+3.3).

Construction confidence remained broadly stable over the first quarter of 2025 (EU: +0.4, EA: +0.4 compared to December 2024). The two indicators remained comfortably above their respective long-term averages (see Graph 1.11).

In line with the confidence indicator, both components, managers' assessment of their **order books and employment expectations**, also remained broadly stable.

Graph 1.11:**Construction Confidence indicator**



Source: European Commission.

Insufficient demand was the most prevalent **factor limiting building activity**, cited by 31.1% (EU) / 30.4% (EA) of construction managers in March, slightly down (by -0.7 and -1.2 pps, respectively) from the December readings. It was followed by **shortage of labour,** which has increased since December (+2.9 (EU) / +3.9 (EA) pps.), remaining a wide-spread concern (EU: 28.7%, EA: 26.7%). The share of builders identifying **material and/or equipment** as factors limiting production remained broadly stable (-0.6 (EU) and -0.3 (EA) pps. from December 2024 to March 2025) at 6.4% in the EU and 3.9% in the EA. The percentage of managers reporting **financial constraints** as a limiting factor also remained broadly stable in both areas (-0.6 (EU) to 7.3% and -0.1 (EA) to 7.4).

Among the largest EU economies, construction confidence was sharply up in Spain (+6.5) ([7]), while it was moderately down in the Netherlands (-1.8), France (-1.6) and Poland (-1.0). Construction confidence remained broadly stable in Germany and unchanged in Italy.

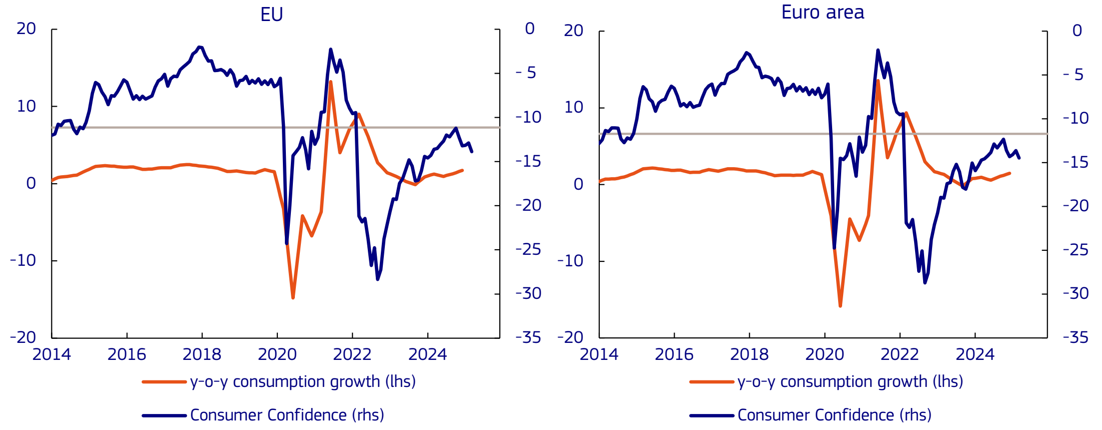
After a more marked decline in **consumer confidence** towards the end of last year, it declined only mildly in the first quarter of 2025 (-0.7 in the EU and -0.2 in the EA). At -13.9 (EU) and -14.5 (EA) points, consumer confidence moved somewhat further away from its long-term average (see Graph 1.12).

In both areas, the forward-looking components of the indicator deteriorated in March 2025 compared to December 2024. Consumers became more pessimistic about their **country's future general economic situation** and, to a slightly lesser extent, their own **household's future financial situation**. Consumers' assessment of their **household's past financial situation** remained broadly stable, while their **intentions to make major purchases** increased slightly.

([6]) Since October 2024, the retail trade survey for Spain is temporarily suspended.

([7]) The Spanish construction confidence indicator has a comparatively high month-to-month volatility.

Graph 1.12:**Consumer Confidence indicator**



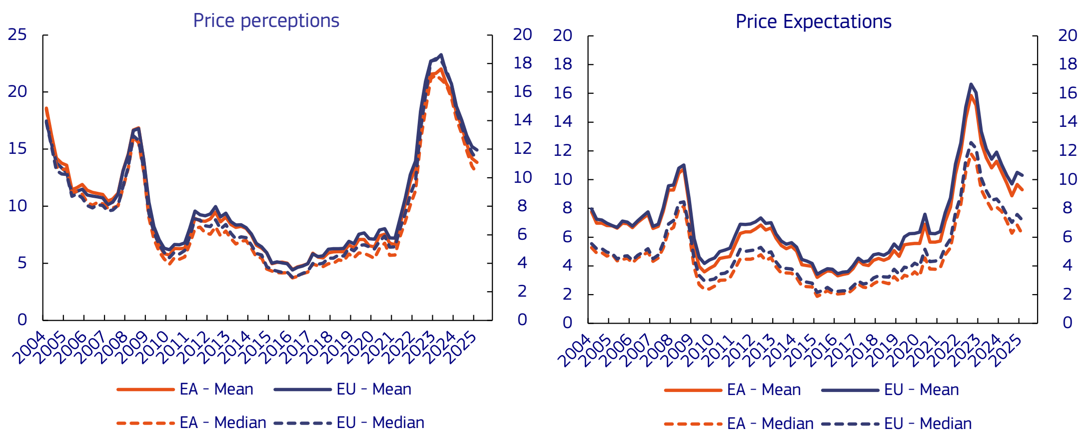
Source: European Commission.

Consumer confidence improved in two out of the five [8] largest EU economies, namely in France (+2.9) and Poland (+2.3). In the Netherlands, consumer confidence decreased significantly (-4.6) and marginally so in Italy (-1.0), while consumer confidence remained broadly stable in Germany (+0.4).

In the EU and the EA, **consumers' quantitative perceptions of price developments** (change over the past 12 months, in %) eased for the seventh quarter in a row, both in terms of their arithmetic mean and their median (which is less sensitive to the presence of extreme values). Despite the long-standing decline, price perceptions remained exceptionally high (see Graph 1.13). [9] **Quantitative price expectations** (change over the next 12 months, in %), resumed their downward trend and edged down in the first quarter of 2025. The results at total level were broadly mirrored across all income, education and age groups, as well as among both men and women.

The detailed results among the different socio-economic breakdowns can be downloaded from the European Commission's website.

Graph 1.13:**Euro area and EU quantitative consumer price perceptions and expectations**



Source: European Commission.

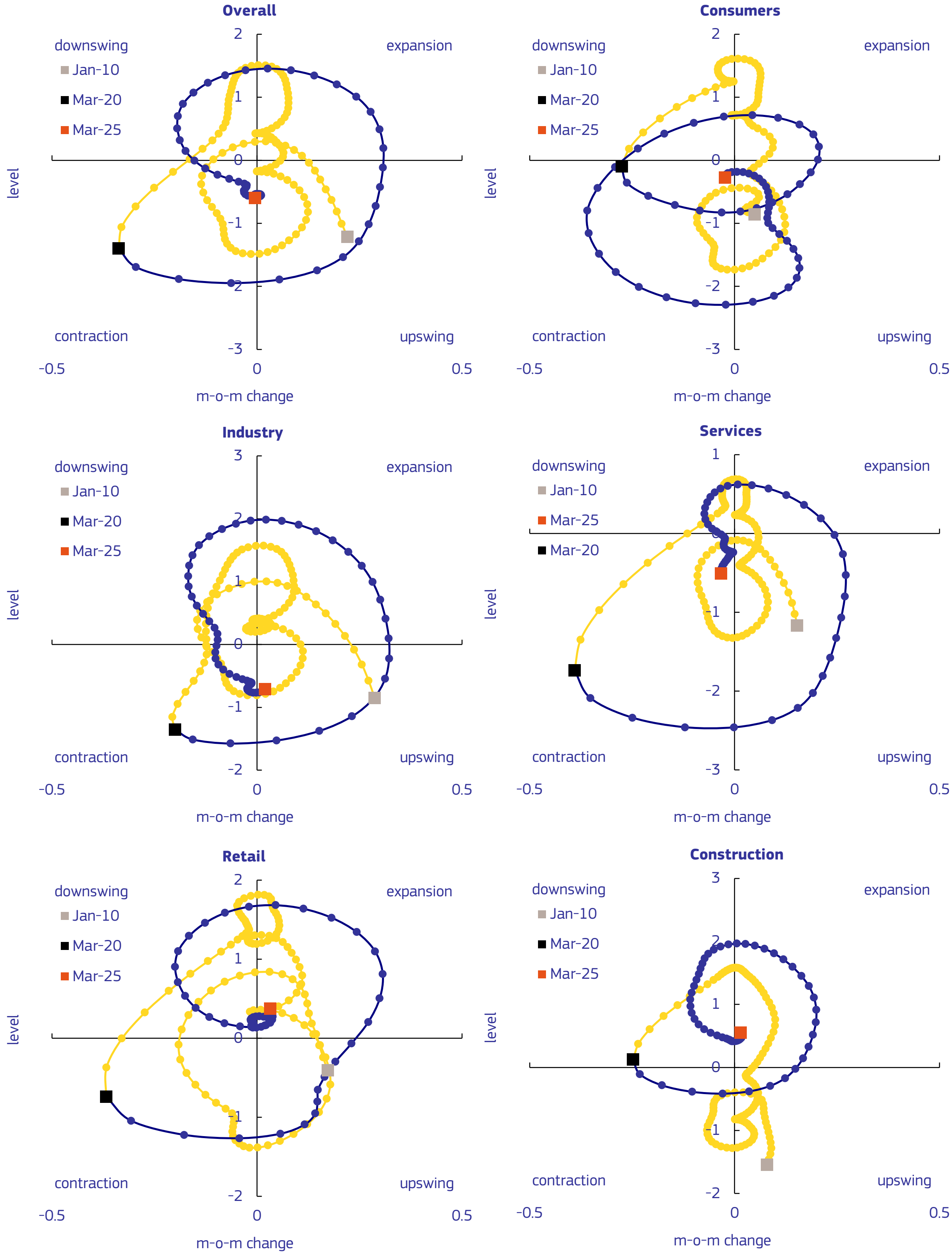
Improved sentiment in 2025-Q1, as captured by the ESI, is not yet reflected in the **climate tracers** for the EU and EA (see Annex for details), which depict longer-term developments. Both moved slightly down but

(8) Since October 2024, survey for Spain among consumers is temporarily suspended.

(9) For more information on the quantitative inflation perceptions and expectations, see the special topic in the EBCI 2019Q1.

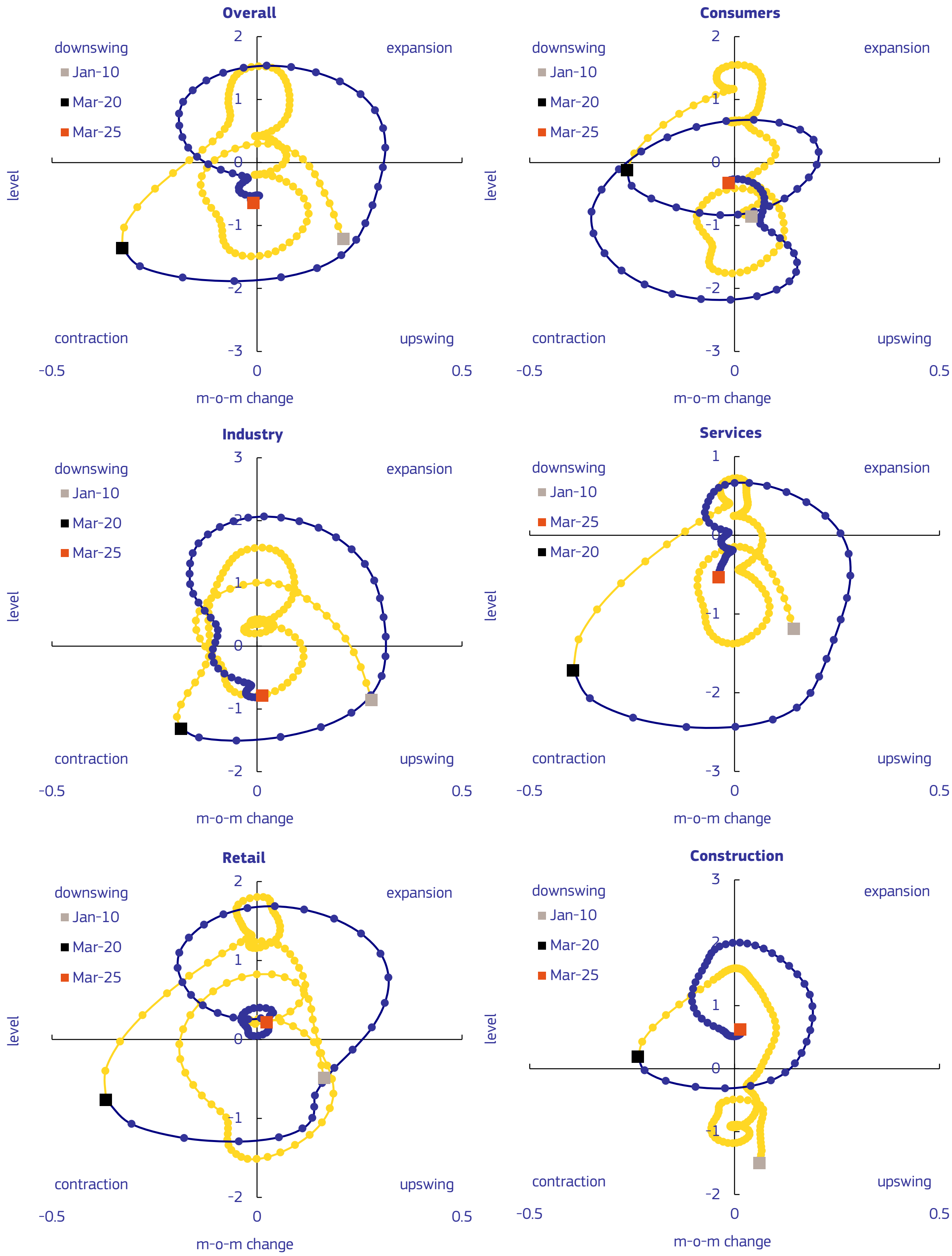
linger between the contraction and the upswing quadrants (see Graphs 1.14 and 1.15). Developments in the sectoral EU/EA confidence indicators broadly reflect the sectoral climate tracers: the industry tracer moved into the upswing area, while the services tracer deteriorated and moved deeper in the contraction area. The consumer tracer crossed the line to the contraction quadrant. Both the construction and retail trade tracers remain in the expansion quadrant in the EU and the EA, but moved slightly closer towards the downswing quadrant.

Graph 1.14:**Economic climate tracers across sectors – EU**



Source: European Commission.

Graph 1.15:**Economic climate tracers across sectors – Euro area**



Source: European Commission.

2. RECENT DEVELOPMENTS IN SURVEY INDICATORS IN SELECTED MEMBER STATES

Germany

The **German** ESI improved by 2.7 points in March 2025 compared to December 2024. Yet, at 89.4 points, the indicator remains markedly below its long-term average of 100 (see Graph 2.1). Depicting the longer-term downward trend, the German climate tracer declined further, in line with Germany's weak economic performance. However, with the pace of the deterioration in sentiment decelerating, the tracer moved closer to the border with the upswing zone (see Graph 2.2).

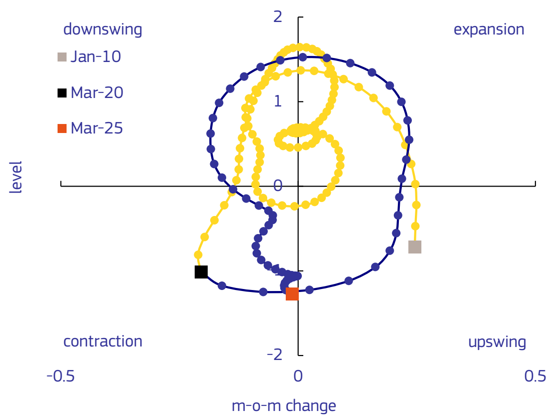
Graph 2.1: **Economic Sentiment indicator for Germany**

Source: European Commission.

The Employment Expectations Indicator (EEI) only declined marginally over the first quarter of 2025 (-0.4 points compared to September) to 89.4, but scored far below its long-term average. All sectors featured relatively stable employment expectations. The industry and construction sectors recorded marginally improved employment plans, which were countered by slightly deteriorating employment plans in services and retail trade.

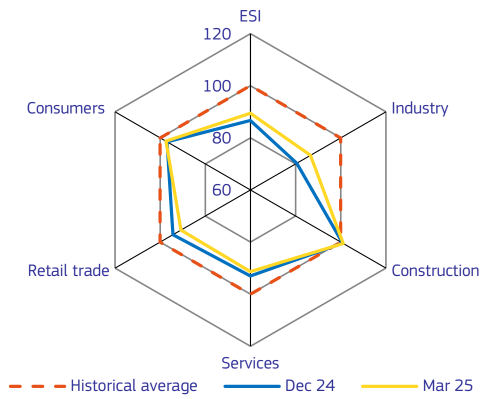
As shown in the radar chart (see Graph 2.3), confidence turned around and improved markedly in industry, while it fell back further in services and retail trade. The services sector has recorded three quarters of decline in confidence. Confidence among consumers and managers in the construction sector remained broadly stable. The level of confidence remains below or far below the historical averages in all surveyed sectors, except construction.

Graph 2.2: **Climate Tracer for Germany**



Source: European Commission.

Graph 2.3: **Radar chart for Germany**



Source: European Commission.

France

The **French** ESI improved by 3.5 points during the first quarter of 2025, despite a setback in March. At a level of 96.4 the confidence indicator scores noticeably below its long-term average of 100 (see Graph 2.4). Despite the quarter-on-quarter improvement in the ESI, the French climate tracer moved slightly further down in the contraction area, but remains close to the upswing quadrant. (see Graph 2.5).

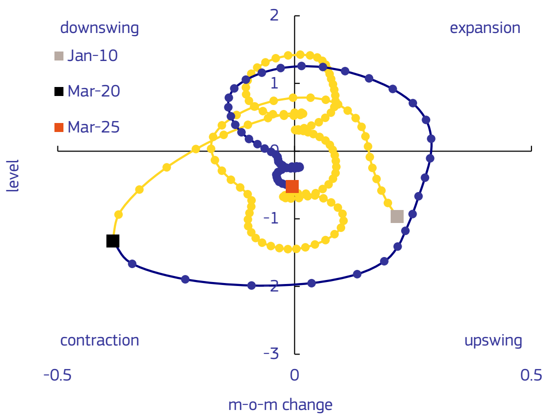
The Employment Expectations Indicator (EEI) was broadly stable (-0.3 points compared to December) over the first quarter of 2025. Industry managers' employment plans deteriorated significantly, while the decline in employment plans in services and construction were small. These declines were almost balanced by an improvement in the employment plans among retail trade managers.

Graph 2.4: **Economic Sentiment indicator for France**

Source: European Commission.

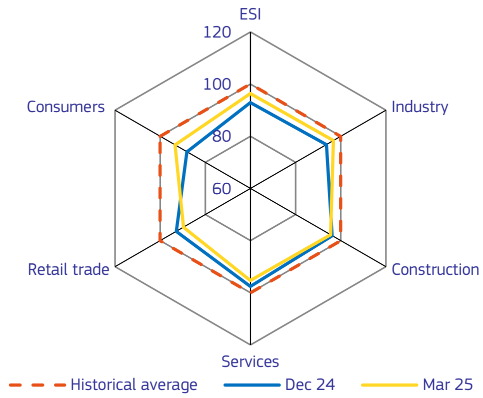
As shown in the radar chart (see Graph 2.6), confidence among consumers and in industry improved significantly in the first quarter of 2025, despite falling in March. Confidence in services, retail trade and construction continued to slide. The level of confidence is below the historical averages in all surveyed sectors.

Graph 2.5: **Climate Tracer for France**



Source: European Commission.

Graph 2.6: **Radar chart for France**



Source: European Commission.

Italy

The **Italian** ESI was only mildly down by -0.6 points between December 2024 and March 2025. However, after oscillating around its long-term average since December 2023, the cumulative effect of the past two quarters pushed the indicator down to 97.6, noticeably below its long-term average of 100 (see Graph 2.7). In line with these observations, the Italian climate tracer moved slowly away from the neutral intersection between the four possible states of the business cycle and ventured into the contraction area (see Graph 2.8).

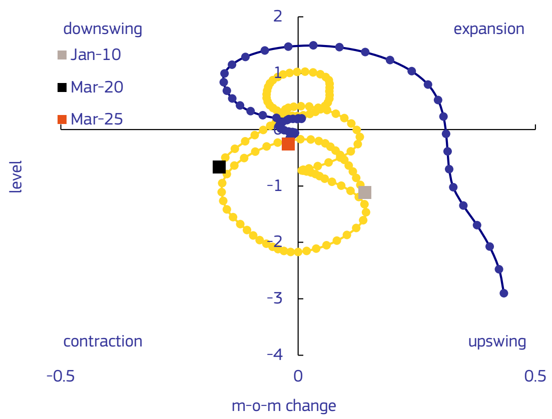
Graph 2.7: **Economic Sentiment Indicator for Italy**

Source: European Commission.

Broadly in line with sentiment, the Italian EEI remained almost stable over the first quarter (+0.2 pps). However, at 106.0, the indicator stands markedly above its long-term average of 100. The broadly flat EEI resulted from a strong improvement of employment plans in industry and construction, which were almost offset by marked deterioration in services, and to a lesser extent in retail trade.

As shown in the Italian radar chart (see Graph 2.9), confidence declined significantly in services and moderately in retail trade and among consumers, while it improved slightly in industry. Confidence in the construction sector was unchanged in March 2025 compared to December 2024. Confidence indicators remained high by historical standards in construction and retail trade, while falling short of their long-term averages in industry and among consumers. Confidence among services managers fell below the long-term average for the first quarter in two and a half years.

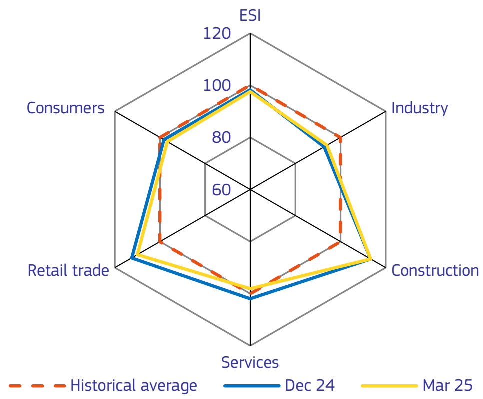
Graph 2.8: **Climate Tracer for Italy**



(1) Due to a missing value for April 2020, the climate tracer for Italy is interrupted between March and May 2020.

Source: European Commission.

Graph 2.9: **Radar chart for Italy**



Source: European Commission.

Spain

The **Spanish** ESI was broadly stable (+0.6 points) over the first quarter of 2025. At 103.4, the indicator remained well above its long-term average of 100 (see Graph 2.10). ([10])

Graph 2.10:**Economic Sentiment Indicator for Spain**

Source: European Commission.

The Spanish EEI increased over the first quarter (+3.7) to a level (109.7 points) considerably above its long-term average. Employment expectations rose markedly in construction, despite highly volatile monthly changes. This rise was further supported by improved employment expectations in industry.

The broadly stable economic sentiment indicator was the combined effect of improved confidence in construction, which was almost completely balanced by industry confidence declining moderately. Confidence still exceeds long-term averages in both business sectors by a large margin.

([10]) The values for the ESI in Spain are based on industry and construction survey data only as, since October 2024, the surveys for Spain in services, retail trade and among consumers are temporarily suspended. For this reason, the Climate tracer and the Radar chart for Spain are not shown.

The Netherlands

The ESI for the **Netherlands** was almost stable (-0.1) between December 2024 and March 2025. As a result, at 100.3, sentiment effectively remained very close to its long-term average (see Graph 2.11). The Dutch climate tracer remained in the upswing quadrant, but is slowly moving towards the neutral intersection between the four possible states of the business cycle (see Graph 2.12).

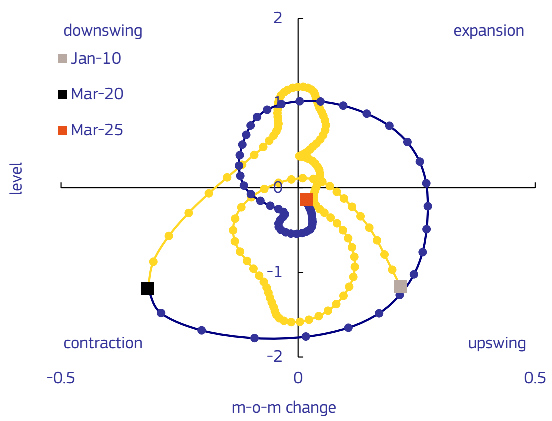
Also, the EEI for the Netherlands remained broadly stable (-0.1) between December 2024 and March 2025. At 103.0 points in March, the indicator remained above its long-term average, with a margin. Employment plans deteriorated significantly in construction, almost offset by an improvement in industry. Managers' employment plans in services and retail trade were broadly stable over the quarter.

Graph 2.11:**Economic Sentiment Indicator for the Netherlands**

Source: European Commission.

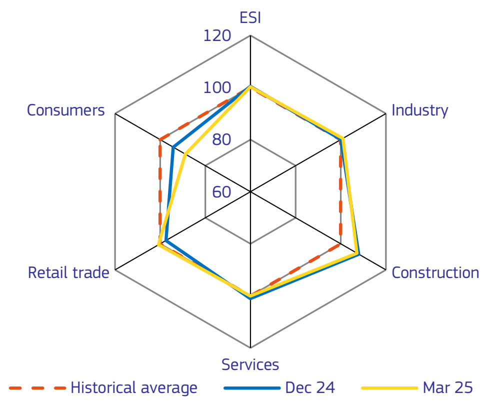
As shown in the radar chart (see Graph 2.13), confidence among consumers became a lot worse witnessing three consecutive months of decline. Confidence edged down also among managers in the services and construction sectors, while it was broadly stable in industry. Only managers in the retail trade sector reported improved confidence. Compared to historical averages, confidence remained elevated in construction, while it stood close to the long-term average for the other business sectors. However, confidence among consumers dropped deeper to a 16-month-low.

Graph 2.12:**Climate Tracer for the Netherlands**



Source: European Commission.

Graph 2.13:**Radar chart for the Netherlands**



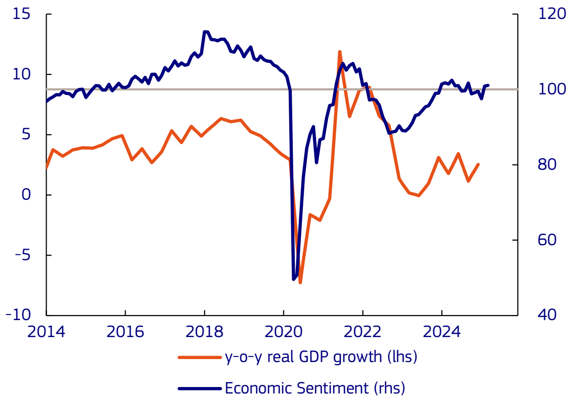
Source: European Commission.

Poland

The ESI for **Poland** increased by 1.6 points over the first quarter of 2025. Since late-2023, the indicator has been relatively stable around the long-term average of 100 and continues to oscillate around it. In March 2025, the indicator stood at 101.1 (see Graph 2.14). In line with the relatively stable ESI, the Polish climate tracer remains close to the neutral intersection point between the four possible states of the business cycle (see Graph 2.15).

The Polish EEI remained broadly stable (-0.1) between December 2024 and March 2025. At 103.3, the indicator remains above its long-term average of 100. Employment plans declined modestly in the industry and construction sectors, while remaining broadly stable in retail trade and increasing somewhat in services.

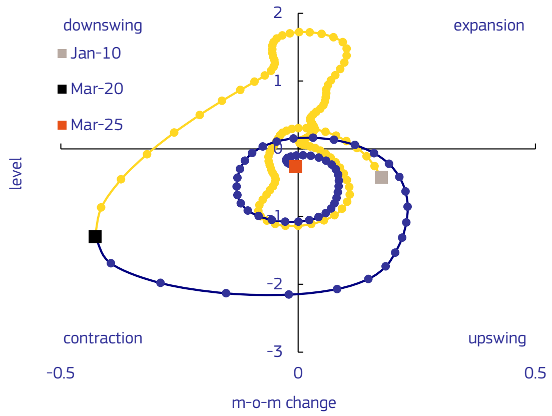
Graph 2.14: **Economic Sentiment Indicator for Poland**



Source: European Commission.

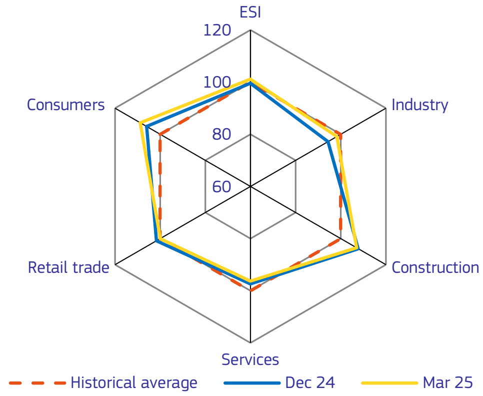
As shown in the radar chart (see Graph 2.16), confidence improved in industry and among consumers, while it declined slightly in the other three business sectors. Confidence exceeded historical averages among consumers, as well as in the construction sector, while retail trade confidence fell back to the average. Confidence remains below the average in services and, slightly so, in industry.

Graph 2.15: **Climate Tracer for Poland**



Source: European Commission.

Graph 2.16: **Radar chart for Poland**



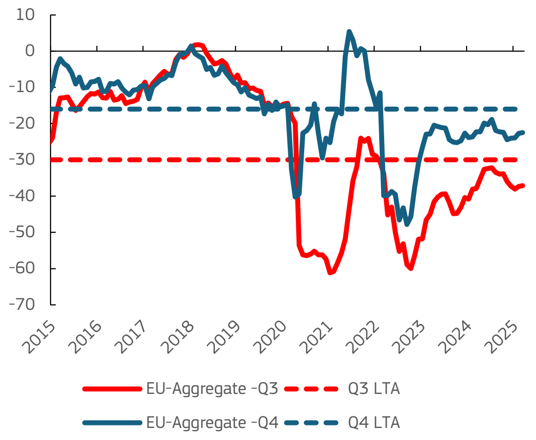
Source: European Commission.

3. SPECIAL TOPIC: THE IMPACT OF SELECTED FACTORS ON CONSUMERS' VIEWS OF THE ECONOMY

Consumers' views on their country's economic situation are crucial in shaping overall consumer sentiment, particularly during times of economic disruptions or uncertainty. Economic shocks—like financial crises, recessions, or political instability—directly influence how people feel about their personal finances, job security, and their spending and saving plans. Recent years' events, starting from the COVID-19 pandemic, followed by the inflation surge and associated energy crises, the wars in the EU's neighbourhood and, most recently, the abrupt changes in US trade and foreign policy, are likely to have had a significant impact on consumer confidence. But how do these factors influence consumers' views on their country's economic situation? An ad hoc survey included in the Commission's regular consumer survey of February/March explored this question. The analysis in this Special Topic examines the results, on aggregate in the EU, by country and by socio-economic characteristics of the respondents. The findings highlight that inflation, and the high cost of living continue to rank high in consumers' concerns about their country's economy. Global and domestic political developments, climate change, and changes in taxes and public policies are also predominantly viewed as negatively affecting the economy. Technological change is the only factor for which positive views prevail over negative ones.

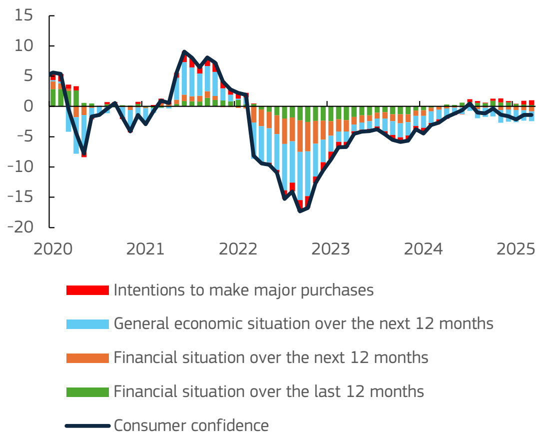
Consumers' views of their country's economic situation are a key driver of consumer sentiment([11])
The Commission's consumer survey enquires about consumers' assessments of past and expectations of future changes in the economic situation in their country. The two variables, shown in Graph 3.1, broadly follow the same trajectory, though a gap between the two opened in the aftermath of the pandemic shock. The fact that expectations for the months ahead were not as badly affected as the backward assessment and rebounded more quickly suggests that consumers perceived the shock to be temporary. Consumers' views on the general economic situation plummeted again in autumn 2022, as inflation peaked at two-digit levels. They have partially recovered since then but remained below their respective long-term averages and significantly lower than their pre-COVID-19 levels. Since summer 2024 they have been worsening again. Consumers' expectations about the general economic situation in their country is one of the four variables making up the Commission's consumer confidence indicator. Graph 3.2 shows that it is this component that has contributed most to the changing moods of consumers since 2020 – and that has consistently dragged consumer confidence down since early 2022.

Graph 3.1: **EU estimate(*) - Consumers' assessments of past (Q3) and future (Q4) general economic developments in their country**



(*) See footnote 11.
Source: DG ECFIN Consumer survey.

Graph 3.2: **EU estimate(*) - Consumer confidence and component contributions (mean adjusted)**



(*) See footnote 11.
Sources: DG ECFIN Consumer survey and authors' calculations.

([11]) In this special topic, EU aggregates are calculated as population-weighted averages of the results for the 13 countries that carried out the ad-hoc question, namely Austria, Bulgaria, Cyprus, the Czech Republic, Germany, Finland, Croatia, Hungary, Italy, Latvia, Malta, Poland and Slovakia. In terms of population, these countries represent around 52% of the EU-wide aggregate.

A supplementary ad hoc question added to the February/March 2025 waves of the consumer survey explores how selected factors influenced consumers' views on the economic situation of their country.([12]),([13]) The question was formulated as follows: *"Over the past 12 months, how have the following factors influenced your views about the economy of your country?"*. Table 3.1 displays the factors that were presented to consumers. For each factor, respondents could select one of four answer options: 'Positive impact', 'Negative impact', 'No impact', or 'Don't know'. To enhance clarity, examples were provided for each factor. Like for the regular consumer survey questions, the ad-hoc question's results can be broken down by various socio-demographic characteristics, such as income, occupation, working arrangement, education, age, and sex.

Table 3.1: **Factors and examples provided to respondents.**

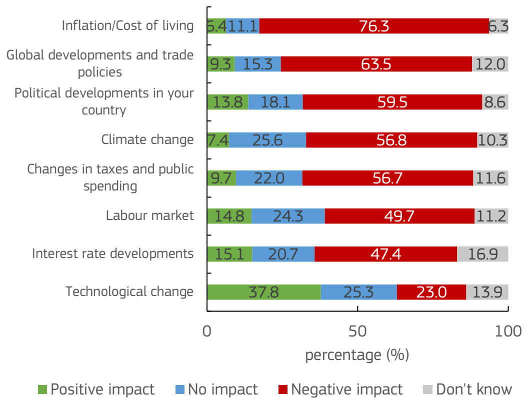
Factor	Examples
Labour market	Unemployment rate, job availability, job improvement
Inflation/Cost of living	Prices, purchasing power
Interest rate developments	Borrowing costs, return on investment
Changes in taxes and public spending	Taxation, public spending, in particular on social benefits and pensions
Political developments in your country	Important political initiatives, new legislation, changes in government
Global developments and trade policies	International conflicts, changes in foreign governments, trade policies
Technological change	New technologies and innovations (artificial intelligence, ...)
Climate change	Environmental issues and global warming

Source: DG ECFIN Consumer survey - ad-hoc question.

Thirteen EU countries, representing 52% of the EU population, and two candidate countries took part in the ad hoc survey. The participating EU countries were Austria, Bulgaria, Cyprus, the Czech Republic, Germany, Finland, Croatia, Hungary, Italy, Latvia, Malta, Poland, and Slovakia. To derive EU estimates, the results were aggregated and weighted according to population size. Moreover, Albania and Serbia also participated to the ad hoc survey.

Most factors were assessed as having a negative influence on consumers' views about their country's economy (see Graph 3.3). Although inflation in the EU in March 2025 was back to 2.4%, and real wages had recovered the purchasing power lost due to the recent inflation surge, over three-quarters of respondents still reported inflation and the cost of living to have negatively impacted their views on the economy of their country. Other factors viewed negatively by most respondents included *global developments*, *domestic political developments*, *climate change*, and *changes in taxes and public spending*. Slightly less than half of respondents identified *labour market conditions* and *interest rate developments* as having a negative impact as well.

Graph 3.3: **EU estimate results**



Source: DG ECFIN Consumer survey - ad-hoc question.
Factors are ranked by share of 'negative impact' (weighted) views (from highest to lowest).

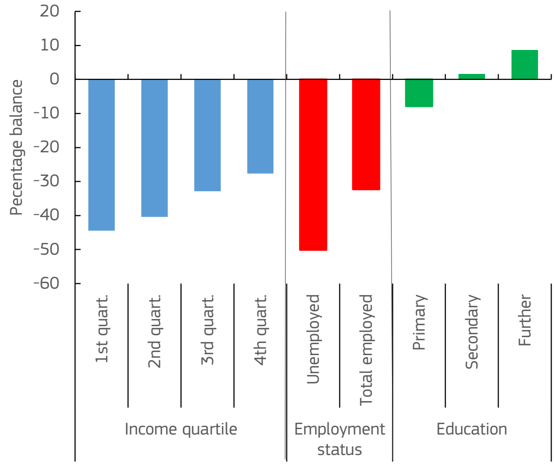
***Technological change* was the only factor for which positive views prevailed over negative ones.** As many as 37.8% of respondents reported technological change to affect positively their view of the general economic situation, against less than a quarter viewing them negatively and another quarter considering they have no impact on their assessment. Other factors considered to have no impact by a relatively high share of respondents were *climate change* and the *labour market* situation.

([12]) The ad-hoc question was optional for the national partner institutes in the harmonised consumer survey, and partner institutes could choose to include it in either the February or March survey.

([13]) In Germany, the ad hoc question was asked in February, before Parliament approval of the plans for a significant spending surge on infrastructure and defence. Importantly, in all countries, it was asked before the announcement of the new US tariffs on EU goods' imports.

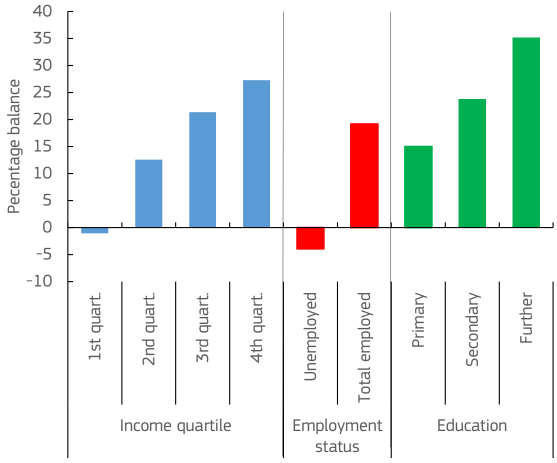
Results for the two candidate countries Albania and Serbia are broadly in line with the EU estimate. However, except for *inflation/cost of living*, consumers in Albania tend to be less negative than consumers in the EU. Namely, a significant share of respondents in Albania believes that *labour market* developments (32%), changes in taxes and public spending (21%) and *political developments in their country* (19%) have had a positive impact on their views of the Albanian economy. In Serbia, an even higher share of respondents (37%) thinks positively of *labour market* developments.

Graph 3.4: **Factor "labour market" – percentage balance([14])**



Source: DG ECFIN Consumer survey - ad-hoc question.

Graph 3.5: **Factor "technological change" – percentage balance([15])**



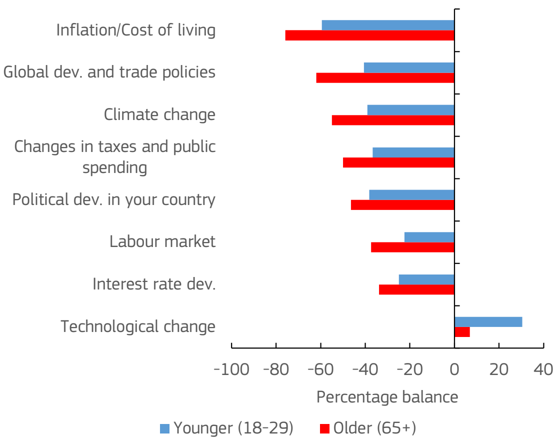
Source: DG ECFIN Consumer survey - ad-hoc question.

The socio-demographic characteristics of the respondents affect their views on the factors driving their country's economic situation. Concerns about *Inflation/cost of living* rank high in consumers' concerns across socio-demographic groups, i.e. across income quartiles, employment status groups and sex. However, some differences can be seen between age and education groups. Older and more educated respondents considered inflation as an important negative driver more often than younger and less educated respondents. In a context of resilient labour markets and easing, but still relatively high, interest rates, the picture is more mixed when examining how the *labour market* situation and *interest rate developments* are reported to impact views on the general economy. The unemployed, lower income groups and older individuals tend to refer to both *labour market* (see Graphs 3.4 and 3.6) and *interest rate developments* as negatively affecting their views on the overall economy, whereas people in employment, with higher incomes and/or higher education and young individuals are more likely to view these two factors as positive. Higher income and education groups, as well as employed individuals are also likely to view *technological changes* as having a (more) positive impact on the economy, whereas the lowest income groups and the unemployed view them dominantly negatively (see Graph 3.5).

([14]) The percentage balance represents the difference between the percentage of respondents who believe a factor has a positive impact on their country's economy and the percentage who believe it has a negative impact.

([15]) See footnote 14.

Graph 3.6: **Impact of the different factors by age group - percentage balance**([16])



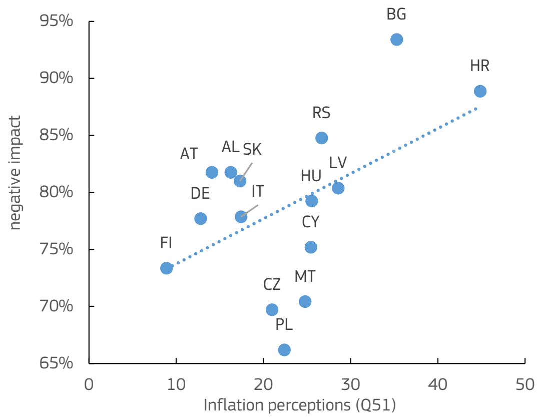
Source: DG ECFIN Consumer survey - ad-hoc question.

Age plays a significant role. Younger individuals (18–29 years) tend to be more optimistic (or less pessimistic) about the impact of all factors, and in particular *technological change*, *global developments*, and – perhaps unexpectedly - *climate change* (see Graph 3.6). Finally, respondents with lower income, lower education, and the unemployed tend to exhibit a higher share of 'don't know' responses.

Country-specific results

***Inflation and the cost* of *living* were consistently viewed as negatively affecting views on the overall economic situation across all countries surveyed.** The percentage of respondents considering this factor as negatively impacting their view of the economy ranges from 66% in Poland to 95% in Bulgaria. These shares appear to be strongly related to consumers' inflation perceptions as measured by the question included in the regular monthly questionnaire (i.e. question Q51, asking interviewees by how much (in %) they think consumer prices have gone up/down over the past 12 months) (see Graph 3.7).

Graph 3.7: **Factor "inflation/cost of living factor" and consumers' price change expectations (in %, 1st quarter of 2025) – Results by country**

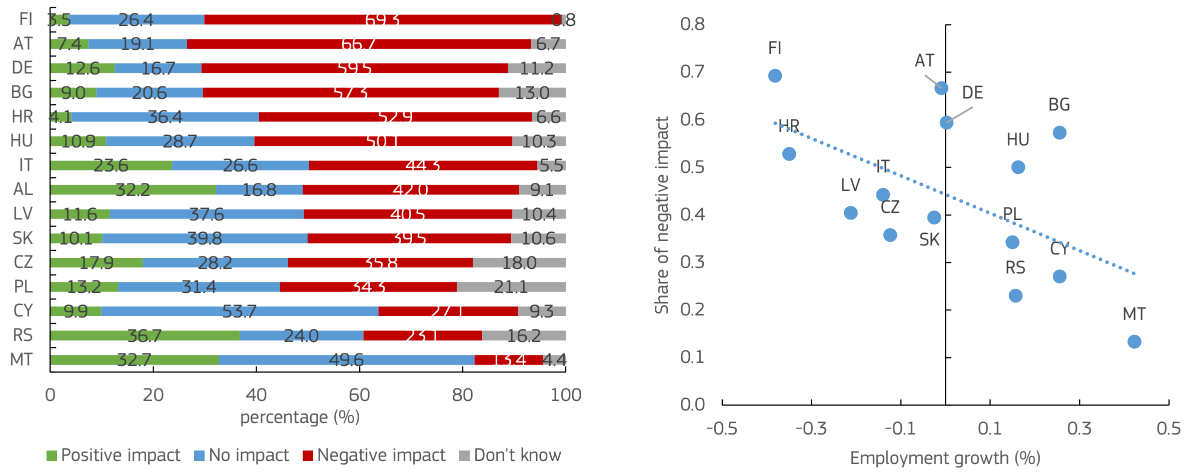


Source: DG ECFIN Consumer survey.

The impact of the *labour market* on consumers' views of their country's economy is more mixed across countries (see Graph 3.8). In six countries, the *labour market* is largely perceived as a negative factor in shaping opinions about the general economy, while in the remaining countries, it tends to be seen as having no or a positive impact. Notably, there is a strong negative relationship between the most recent quarter-on-quarter employment growth (2024Q4 compared with 2024Q3) and the percentage of respondents indicating the *labour market* situation as negatively affecting their opinion of the economy. Among the reporting countries, Finland, with the lowest employment growth in the last quarter of 2024, shows the largest share of respondents believing *labour market* conditions have a negative impact on their view of the domestic economy. The opposite is true for Malta, with the highest employment growth in the last quarter of 2024 (see Graph 3.8).

([16]) See footnote 14.

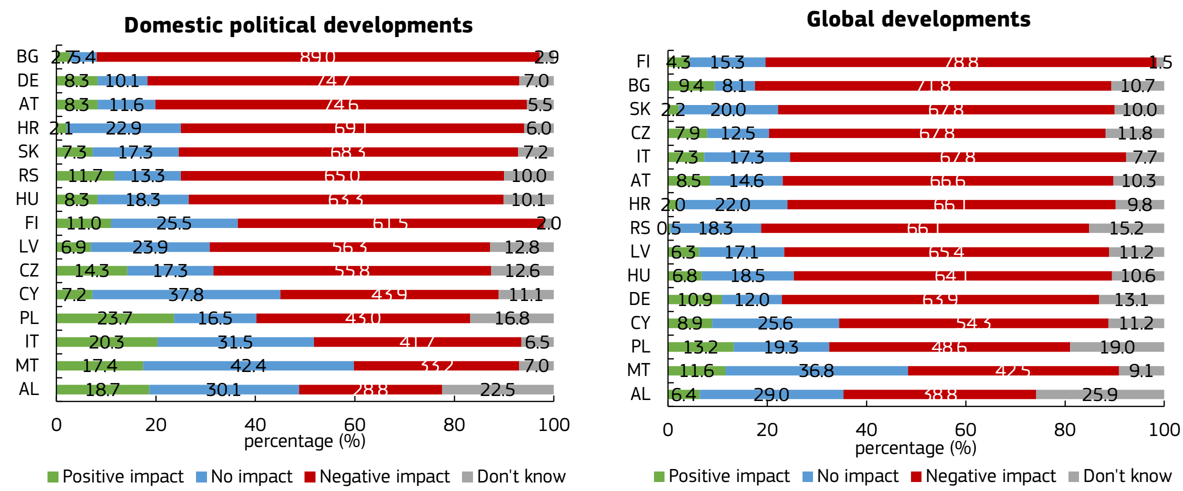
Graph 3.8: **Factor "labour market factor" and employment growth (2024Q4 compared to 2024Q3)(*) – Results by country**



(*) Data for employment growth for Albania is not available.
Countries are ranked by share of 'negative impact' (weighted) views (from highest to lowest)
Source: DG ECFIN Consumer survey - ad-hoc question and Eurostat.

***Domestic and global developments* are viewed as having a predominantly negative impact on the economy in most participating countries**. In more than half of the countries, over 60% of respondents believe that *political developments in their country* have a negative impact on their opinion of the general economy, with Bulgaria standing out with nearly 90% of respondents reporting a negative impact, followed by Germany and Austria. This likely reflects the difficulties of these countries in forming stable governing coalitions in recent months. In contrast, in Malta and Albania, negative views account for only around 30% of responses, and "no impact" responses account for over 30%. Similarly, *global developments*, such as international conflicts, changes in foreign governments, and trade policies, tend to be seen as having a negative impact, with over 40% of respondents in all countries holding this view. While the Maltese hold the most positive or neutral views (48%), Finland has the highest percentage of respondents (79%) who view global developments as having a negative impact (see Graph 3.9).

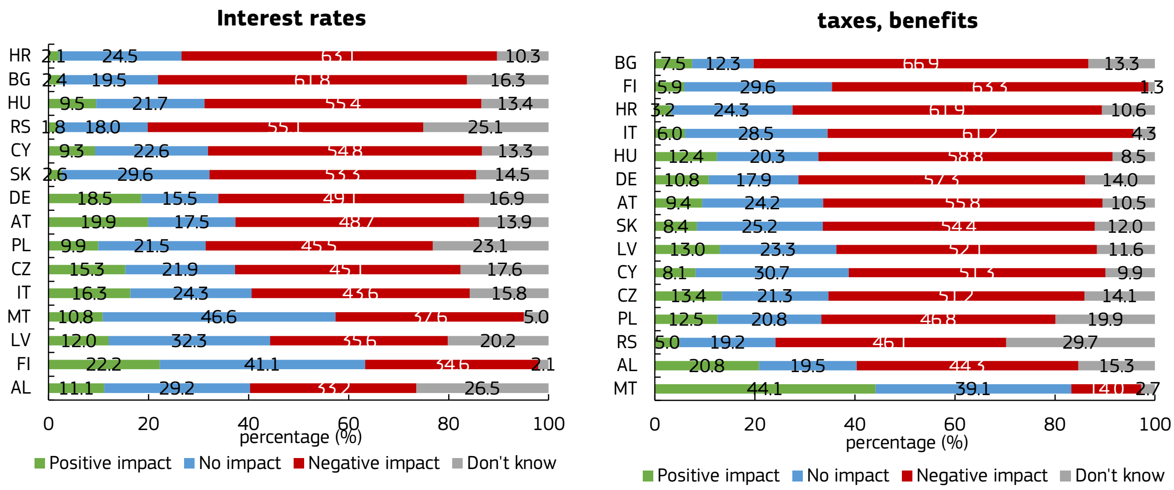
Graph 3.9: **Factors "domestic political developments" and "global developments" – Results by country**



Countries are ranked by share of 'negative impact' (weighted) views (from highest to lowest).
Source: DG ECFIN Consumer survey - ad-hoc question.

The impact of *interest rate developments* and *changes in taxes and benefits* on the economy is generally perceived as negative across most participating countries. In more than half of the countries, over 45% of respondents believe that *interest rate developments* have a detrimental effect on the economy, with Bulgaria again standing out with the most negative views. In contrast, countries such as Austria, Germany, and Finland have a relatively high percentage of respondents (around 18-22%) who see *interest rate developments* as having a positive impact. However, even in these countries, negative perceptions outnumber the positive ones, suggesting a widespread concern about the impact of *interest rate developments* on the economy (see Graph 3.10). Over 50% of respondents in most countries report *changes in taxes and benefits* as negatively affecting their view of the economy. Bulgaria, Finland, Croatia and Italy have the highest percentages, with more than 60% of respondents believing that *changes in taxes and benefits* have had a negative effect. However, Malta is a notable exception, with only 14% of respondents viewing *changes in taxes and benefits* negatively, while a significant 44% consider them to have a positive impact (see Graph 3.10).

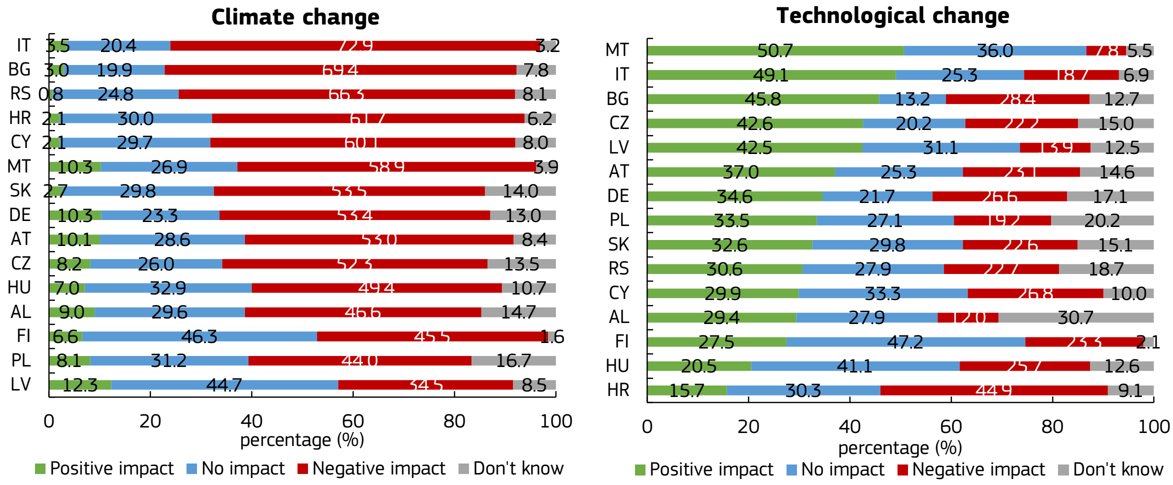
Graph 3.10:**Factors “interest rate developments” and “changes in taxes/benefits” – Results by country**



Countries are ranked by share of ‘negative impact’ (weighted) views (from highest to lowest).
Source: DG ECFIN Consumer survey - ad-hoc question.

***The role of climate change* and *technological change* is mixed**. Italy and Bulgaria stand out with around 70% or more of respondents believing that *climate change* has a negative impact on their economy. Meanwhile, over 30% of respondents in most countries report a positive view of *technological change*, particularly in Malta, Italy, and Bulgaria, where over 45% of respondents hold this view. At the other end of the spectrum, Croatia and Hungary are the only countries where negative views on *technological change* outnumber the positive assessments. In several countries, notably in Finland, a significant percentage of respondents believe that *technological change* has no impact on their assessment of the economy. In Albania a relatively high percentage of respondents is unsure about the impact of *technological change* (see Graph 3.11).

Graph 3.11:**Factors “Climate change” and “Technological change” – Results by country**



Countries are ranked by share of ‘negative impact’ (weighted) views for *climate change* and by share of ‘positive impact’ views for *technological change* (from highest to lowest).

Source: DG ECFIN Consumer survey - ad-hoc question.

Conclusions

This Special Topic examines the results of the ad hoc question included in the February/March 2025 waves of the consumer survey, shedding light on the key factors that shape consumers' perceptions of their country's economic situation. The results must be considered in the context of the increasingly complex and unpredictable economic and geopolitical landscape facing the EU economy. Even though the ad hoc question was asked before the announcement of the sweeping tariffs on US imports from the EU and the rest of the world, the economic environment was already marked by significant shifts in US foreign and trade policy stance, ongoing uncertainty surrounding the conflict in Ukraine, and wider security risks. At the same time, falling inflation, a resilient labour market, and more favourable financing conditions for households and firms laid the foundation for a gradual recovery in consumption in the EU.

Most factors were assessed as having a negative influence on consumers' views about their country’s economy, highlighting their rather pessimistic view of the economic situation. A striking finding of this analysis is that the legacy of the past inflation surge is prevailing as a major concern for consumers. This feature is shared across socio-economic groups and countries. In contrast, views on other economic factors, such as labour market and interest rate developments, are more nuanced. Unemployed and lower-income groups are more likely to express concerns about labour market conditions. The survey also reveals a predominantly negative outlook among consumers regarding global developments, likely reflecting the current challenging global economic context. Significant concerns about domestic political developments were mainly expressed by respondents from countries that recently experienced difficulties in forming stable governing coalitions.

On a more positive note, technological change emerges as the sole factor where optimistic views outnumber pessimistic ones, suggesting that consumers see potential benefits in technological advancements.

ANNEX

Reference series

Confidence indicators	Reference series from Eurostat (volume/year-on-year growth rates)
Total economy (ESI)	GDP, seasonally- and calendar-adjusted
Industry	Industrial production, working day-adjusted
Services	Gross value added for the private services sector, seasonally- and calendar-adjusted
Consumption	Household and NPISH final consumption expenditure, seasonally- and calendar-adjusted
Retail	Household and NPISH final consumption expenditure, seasonally- and calendar-adjusted
Building	Production index for building and civil engineering, trend-cycle component

Economic Sentiment Indicator

The economic sentiment indicator (ESI) is a weighted average of the balances of replies to selected questions addressed to firms and consumers in five sectors covered by the EU Business and Consumer Surveys Programme. The sectors covered are industry (weight 40 %), services (30 %), consumers (20 %), retail (5 %) and construction (5 %).

Balances are constructed as the difference between the percentages of respondents giving positive and negative replies. EU and euro-area aggregates are calculated on the basis of the national results and seasonally adjusted. The ESI is scaled to a long-term mean of 100 and a standard deviation of 10. Thus, values above 100 indicate above-average economic sentiment and vice versa. Further details on the construction of the ESI can be found here.

Long time series (ESI and confidence indices) are available here.

Economic Climate Tracer

The economic climate tracer is a two-stage procedure. The first stage consists of building economic climate indicators, based on principal component analyses of balance series (s.a.) from five surveys. The input series are as follows: industry: five of the monthly survey questions (employment and selling-price expectations are excluded); services: all five monthly questions except prices; consumers: nine questions (price-related questions and the question about the current financial situation are excluded); retail: all five monthly questions; building: all four monthly questions. The economic climate indicator (ECI) is a weighted average of the five sector climate indicators. The sector weights are equal to those underlying the Economic Sentiment Indicator (ESI, see above).

In the second stage, all climate indicators are smoothed using the HP filter in order to eliminate short-term fluctuations of a period of less than 18 months. The smoothed series are then normalised (zero mean and unit standard deviation). The resulting series are plotted against their first differences. The four quadrants of the graph, corresponding to the four business cycle phases, are crossed in an anti-clockwise movement and can be described as: above average and increasing (top right, ‘expansion’), above average but decreasing (top left, ‘downswing’), below average and decreasing (bottom left, ‘contraction’) and below average but increasing (bottom right, ‘upswing’). Cyclical peaks are positioned in the top centre of the graph and troughs in the bottom centre.

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