

# Europe Flash

## The services sector lifts confidence in Eurozone

- Economic sentiment rebounded in January, after a long period of decline**

The Economic Sentiment Indicator (ESI) of the European Commission edged +0.6p higher, reaching 93.4, due to improved confidence in the services sector and to increased sentiment among consumers. The construction sector also showed signs of a recovery but less pronouncedly. By country, Germany and Spain gained the most, with their indices going up by +2.3 and +1.8 respectively, while France, Italy and the Netherlands registered a drop in sentiment, with France losing the most (-2.1). Still, Germany, at 106.6, is the only country with the ESI index above its long-term average of 100.

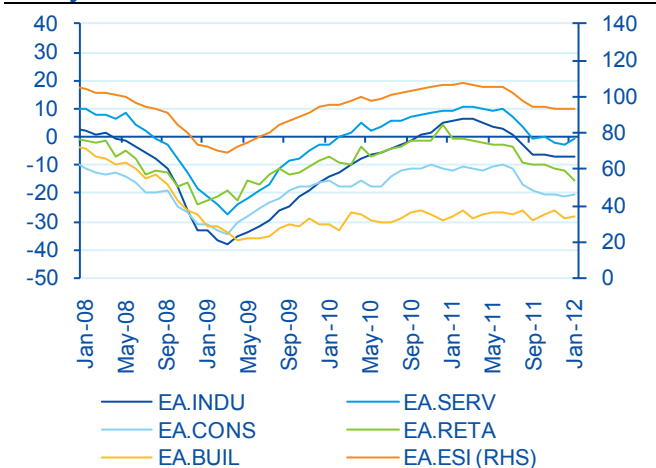
- By economic sector, the indices for services, construction sector went up, sentiment in industry remained unchanged, while in retail sales it deteriorated sharply**

The services sector sub-index gained +2.0, as past business situation, past and expected demand, all were assessed more positively. Sentiment in construction also improved, with the index edging +0.6p higher. In contrast, retail trade performed the worst, losing -3.3 points. Some neutral news came from industry, where confidence remained unchanged, reflecting diverse trends among components. Production expectations remained unchanged, while the improvement of managers' past production and export order books assessment, coupled by an increased optimism about their companies' stocks, could only offset and not overcome the deteriorating assessment of order books.

- Confidence among consumers improved**

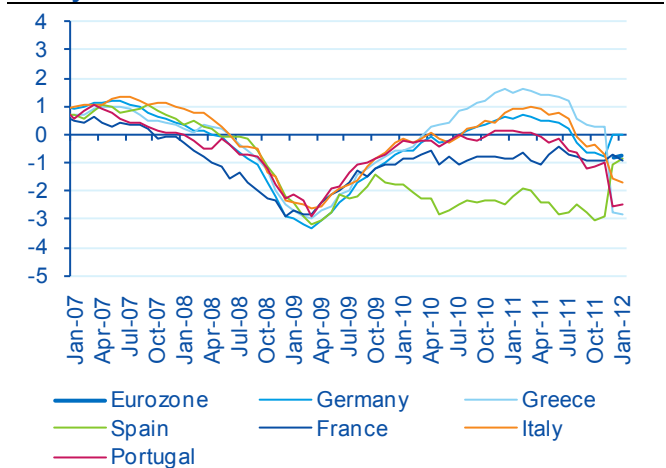
The respective index was +0.6 up in January, as unemployment fears seem to lose importance. Nevertheless, consumers' expectations about the economic situation, as well as their assessment of their own financial conditions did not improve, but rather remained unchanged.

Chart 1  
**ESI by sectors**



Source: Eurostat and BBVA Research

Chart 2  
**ESI by countries**



Source: Eurostat and BBVA Research, Note: data is normalized to O

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