

Snap | 30 October 2017

Eurozone economic confidence surges to 17-year high

The Eurozone is partying like it's 1999 as the Eurozone Economic Sentiment Indicator surged to highest level since January 2001



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The Eurozone Economic Sentiment Indicator (ESI) beats expectations and increased from 113.1 to 114 in October indicating strong economic activity is continuing. This shows political tensions continue to have little effect on economic sentiment this year, with Spanish economic sentiment increasing as well, despite the Catalan situation heating up. The surprisingly healthy economy trumps political risks in terms of sentiment for the moment.

While the PMI dipped in October as service sector activity was not as high as expected, the ESI shows a different story. Both services and industry show an increase in sentiment with improving recent demand and surging new orders. Retail confidence improved as well, with inventories declining and expected business increasing markedly, which is a positive sign for the holiday season. This leads to improving hiring expectations across sectors as well, which means that the outlook for employment remains rosy for the winter months.

After surging price expectations in the third quarter, industrial price growth dipped in October. Services sector price expectations increased, but this is still a sign that while economic activity continues to surprise on the upside, inflation pressures are only mounting slowly.

While core inflation has turned a corner, price pressures remain too mild to cause any significant jump in the months ahead.

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