

Eurozone economic sentiment soars to highest level since January 2018

The eurozone economic rebound is in full swing despite the restrictions as sentiment among businesses and consumers closes in on all-time highs confirming our view of a strong start to the economic recovery already underway in 2Q



Source: Shutterstock

Barring a few months in 2000, December 2017 and January 2018, Eurozone economic sentiment has not been as high as it is now, even if we go all the way back to 1985.

Although downside risks to the eurozone economy remain significant, they have been falling given that the vaccination programmes are picking up and Covid-19 cases are coming down rapidly. This means that the outlook for the eurozone economy is favourable for the second half of the year, and we expect GDP growth to rebound in 2Q and see upside risk to our current 1.4% QoQ growth forecast.

Industrial sentiment, already at an all-time high last month, increased from 10.9 to 11.5. This was fuelled by increasingly positive order book assessments, while production expectations fell on the back of input shortages that delayed production. Still, production expectations remain historically

very strong, which is why our outlook for continued manufacturing strength remains unchanged.

Barring a few months in 2000, December 2017 and January 2018, Eurozone economic sentiment has not been as high as it is now, even if we go all the way back to 1985

Services sentiment saw the largest jump where reopenings have boosted the index substantially. The increase from 2.2 to 11.3 brought the index back to pre-pandemic levels as businesses became much more positive about demand and demand expectations for the months ahead.

The survey further confirms rising price pressures as both services and industry businesses are planning to increase selling prices in the months ahead. With input shortages biting, industry is set to pass those higher costs to the consumer, and services are planning to increase prices as sectors reopen.

This has been priced into forecasts, but further disruptions in industry bring upside risk to the inflation outlook.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.