

## Eurozone economy beat estimates in the third quarter

Eurozone GDP increased to within a percentage point of its pre-crisis level of activity in the third quarter, thanks to a 2.2% quarterly growth rate. From here on, expect headwinds to become more visible in the numbers...



Source: Shutterstock

The upside surprise to growth was not seen everywhere. Germany and Spain disappointed, while France, Italy, Belgium and Austria outperformed. Germany and Italy are now 1.1 and 1.3% below pre-pandemic levels of activity, with Italy catching up very quickly since the end of last year. Semiconductor shortages are having a disproportionate effect on the German economy compared to other large eurozone members because of the country's much larger auto sector. France has now almost reached pre-crisis levels, with quite a few smaller economies already surpassing that.

A first look at the detailed components of growth shows a strong boost for French and Belgian services. In France, household consumption soared by 5% in 3Q with large growth in the hospitality sector. Spain saw declining consumption growth, but overall, we can expect services consumption to have been a strong contributor to growth in the eurozone. Coronavirus measures were still a lot more restrictive on average in 2Q than 3Q, which has been a dominant driver for growth over the

course of the pandemic.

From here on, do expect moderation though. The first rebound effects are waning, which will lead to naturally slower GDP growth. Besides that, input shortages and supply chain problems are adding to manufacturing woes, which have become broader based in recent months. From the consumption side, headwinds from soaring inflation – at 4.1% and matching the highest rate seen this century – are set to dampen prospects for the services recovery although a strong labour market and a high level of savings will support ongoing growth. This recovery phase has surprised quite a few times so far but will start to fade more substantially from here on.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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](http://www.ing.com).