

## Eurozone sentiment improves ahead of ECB, GDP and inflation figures

The ESI reaches the second highest reading ever as sentiment remains very positive despite economic bottlenecks and the resurgence of the Delta variant. Mounting inflation pressures and strong employment expectations do add to hawkish pressures for the European Central Bank this afternoon



For the second month in a row now, the ESI has painted a more positive picture than the PMI did. Sentiment increased from 117.8 to 118.6 and is close to historic highs, while the PMI is levelling off. We believe that the growth path is clearly one of normalisation and think that the level of the PMI is likely to best portray the current environment: one of moderating GDP growth after a reopening boom earlier in the year.

The strong sentiment figures for October mainly reflect a boom in services' confidence with both improving expectations and recent demand. Uncertainty among businesses is fading, which is somewhat curious given the rising Covid cases and debate about new restrictive measures restarting in some of the larger countries. That would clearly be one of the more serious downside risks to the outlook for the service sector, but the survey does paint quite a rosy picture.

Manufacturing saw order books increase again, but production expectations are falling. This clearly reflects supply chain frictions and input shortages, which have been weighing on more and more manufacturing subsectors in recent months. Production in recent months has been assessed more positively though, which could well be reflected in a slightly better than expected GDP figure for the third quarter tomorrow.

For the ECB this afternoon, two observations from the survey seem key: employment expectations continue to increase and selling price expectations are rising. The latter is seen both among services and goods, which means that inflationary pressures are currently broad-based in the economy. The big question for the ECB is how temporary these inflation pressures still are, and the labour market is key for that. With employment expectations still rising, the end of furlough schemes is more likely to have only a modest impact on the labour market. That adds to wage pressures which are currently still weak but are set to recover a bit over the course of next year.

## 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).