

## Eurozone sentiment improves in February

While lockdowns still curb economic activity for now, businesses and consumers are becoming more optimistic about the months ahead. Economic activity in 1Q will still be very subdued though with manufacturing improvements a welcome exception



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The Economic Sentiment Indicator increased from 91.3 to 93.1 in February. The improvements were seen for both manufacturing and services, although services activity remains very subdued for the moment. That corresponds to weak economic activity, but just as 4Q GDP growth surprised on the upside, 1Q might also be somewhat better than expected now.

Manufacturing seems to continue to improve regardless of how restrictive measures curb activity elsewhere for the moment. The industrial confidence indicator increased from -6.1 to -3.3 in February, a level last seen in May 2019. Production expectations have shot up as order books improve and inventories continue to run down, this leads to a pretty optimistic picture about the months ahead for industrial production.

Services activity continues to be dampened by restrictive measures to battle the coronavirus. The index for services improved slightly, but remains near second wave lows. The consumer also saw sentiment improve slightly in February, thanks to a more positive assessment of the health of the

economy and lower chances of personal unemployment in the coming year. With savings still high at the moment, that could boost a spending recovery once more restrictive measures are lifted. That will in part have driven some service sector optimism as expected demand for the coming months has picked up.

Selling price expectations differ a lot between sectors. For manufacturing, selling price expectations have shot up in February on the back of higher input prices. They are now at the highest level since early 2019. For services, they remain quite subdued. That could change when we get closer to a more sustained reopening of economies though as inflation is set to run higher for most of 2021.

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