

## Eurozone sentiment is gradually improving

The European Commission's economic sentiment indicator edged up slightly in November, marking the third consecutive monthly increase. Selling price expectations rose across all sectors, signalling to the European Central Bank that additional rate cuts are unwarranted



Confidence in the eurozone's services sector was the highest in over a year

### Manufacturing is still lagging

In November, the economic sentiment indicator climbed to 97 from 96.8 in October. However, industrial confidence dipped, mainly due to dwindling orders—especially from exports. Factors like higher US tariffs and a strong euro are making export growth less predictable. At the same time, inventory assessments dropped to their lowest point since May, which could pave the way for increased production early next year.

Meanwhile, the services sector saw its highest confidence in over a year, with retail and construction confidence also on the rise. Construction sentiment is now at its strongest since June 2023. Employment expectations presented a mixed picture: they improved in retail and construction but fell in services and industry. Unsurprisingly, consumer confidence remained stable in November.

## Price expectations increased

Inflation data still shows some stickiness. Selling price expectations climbed above the long-term average in every sector, and consumers anticipate faster price increases ahead. Even though falling energy prices may soon drag headline inflation below 2%, today's figures indicate that underlying inflation will likely ease only slowly.

What looks certain, is that the eurozone's economy remains on a growth track, albeit a subdued one. A meaningful uptick may not occur until Germany's budgetary stimulus kicks in, expected no sooner than the second half of 2026.

Given these trends, the ECB will likely keep interest rates unchanged: there's no need for more stimulus, and inflation does not warrant any drastic new monetary policies.

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