

Snap | 30 January 2023

Eurozone sentiment continues to improve

Economic sentiment in the eurozone increased to 99.9 in January, the third consecutive increase. Service sector businesses were particularly upbeat, resulting in stubbornly high selling price expectations. The latter will be taken as hawkish input for the ECB meeting



Service sector businesses are particularly upbeat at the moment

Can we trust sentiment indicators? When consumer confidence was at its lowest last September, consumption continued to grow. Now that it's recovering, we see signs of faltering household consumption. January's economic sentiment indicator paints a picture of recovery while data released today show [Germany's economy contracted in the fourth quarter](#).

While there is some doubt about how well these indicators track economic performance at the moment, we don't want to ignore them either. Manufacturing businesses performed slightly weaker than before, but optimism about production in the months ahead is on the rise. Importantly, selling price expectations are down sharply as supply chain problems improve and demand for goods has fallen.

The service sector saw improving economic activity at the start of the year and remains upbeat about the months ahead. Employment expectations are also rising again, which puts continued strain on the labour market despite a slowing economy. In turn, selling price

expectations also remain at very elevated levels for services, which could keep core inflation high for longer. For the ECB, this will be the main concern from the survey as worries about the second-round effects of the energy crisis are front and centre of Thursday's governing council meeting.

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.