

Macro Rapid Response

Eurozone ESI: resilient economy, limited risks on prices

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The EU Commission's ESI economic confidence index fell unexpectedly to 97.9 from 98.4 but remains at levels consistent with moderate GDP growth in H2 2026. This correction is mainly due to a deterioration in consumer sentiment as consumers are particularly sensitive to rising fuel prices, despite further improvements in confidence within the manufacturing and services sectors. Even expectations regarding selling prices, which are rising only in manufacturing and construction, do not offer particularly worrying signs of underlying inflationary pressures building up. Overall, the survey confirms the message already emerging from last week's PMI figures: the euro area economy remains resilient and the pass-through of the energy shock to core inflation still appears limited. Available data do not yet warrant a rate hike by the ECB as early as its October meeting (a December move remains more likely than not).

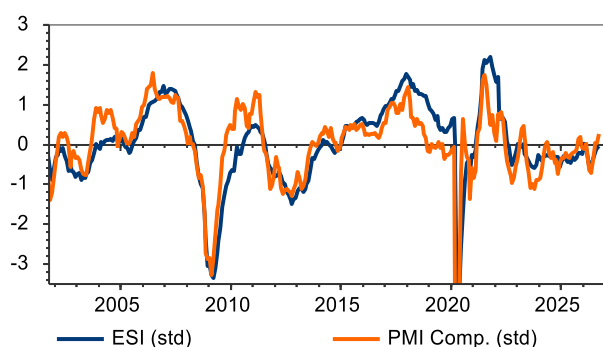
In September, the EU Commission's ESI index fell to 97.9 from 98.4, marking the first decline after four months of recovery. **This deterioration is attributed to the decline**, already indicated by the preliminary estimate, **in consumer confidence** (-16.5 from -15.5), which is particularly sensitive to rising energy prices. **Businesses, however, remain resilient: climate improved in industry** (-3.8 from -5.0) **and in services** (6.1 from 5.6), **whilst it remained largely unchanged in retail trade and construction**. The employment index fell slightly (97.5 from 98.8) but remains at levels consistent with positive hiring in the second half of the year. The EUI economic uncertainty index also rose, whilst remaining below the levels recorded in the spring. Overall, **the EU Commission's surveys and the PMIs continue to signal that the euro area economy is holding up well in the face of renewed energy tensions and remain consistent with GDP growth of around 0.3% q/q in H2 2026**.

The survey's breakdown is particularly robust in manufacturing, where the index has reached a three-year high, with strong gains in production, particularly expected output, and orders. **In the services sector**, however, **the improvement in sentiment is driven more by the current situation than by expectations, which have fallen again, albeit only slightly**. **The deterioration in expectations also affects retailers, particularly exposed to consumer confidence**. The consumer survey, in fact, shows a widespread deterioration in assessments of the current situation and expectations, alongside a reduced propensity to make major purchases. The rise in fuel prices is also reflected in an increase in perceived and expected inflation, which nevertheless remains below the levels recorded between March and May. Household confidence, however, has not proved to be a good coincident indicator of spending in recent years.

Expectations regarding selling prices rose in manufacturing (20.3 from 16.9) **and in construction** (13.9 from 8.5), **whilst decreased in services** (13.6 from 14.0) **and retail trade** (21.6 from 22.0). The decline in these latter two sectors may reflect businesses' caution regarding the resilience of consumer demand. Even in manufacturing and construction, however, the indices remain below the levels reached during the months of peak conflict intensity. Overall, **whilst signalling upside risks, the European Commission's surveys and the PMIs do not offer particularly worrying evidence of second round effects**. Based on our modelling, which links the price expectations of businesses across 70 sectors to their respective assessments of demand, the results are consistent with core inflation rising towards 2.5% in the coming months, but do not signal excessive risks of underlying pressures overheating.

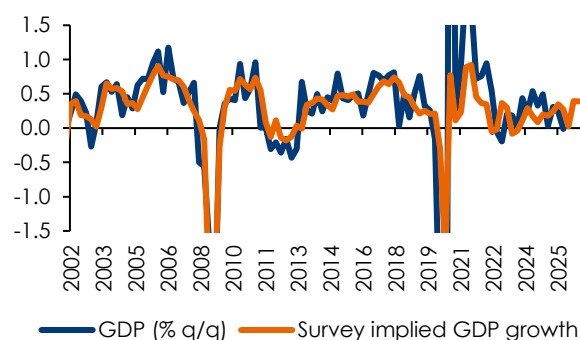
Overall, **available data do not yet warrant a rate hike by the ECB as early as its October meeting. However, in light of the energy outlook for the coming months, a policy adjustment in December remains likely**.

Surveys show signs that the Eurozone economy is holding up



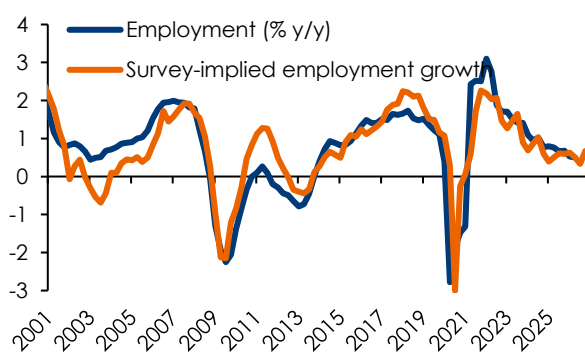
Source: Intesa Sanpaolo elaborations on EU Commission DG Ecofin, S&P Global data

Surveys remain consistent with a moderate GDP growth, at around 0.3% q/q on average in H2 2026



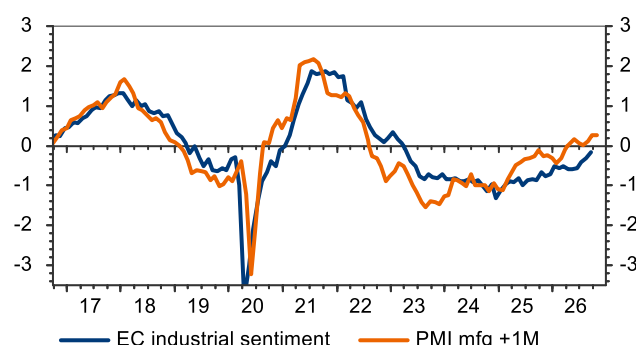
Source: Intesa Sanpaolo elaborations on Eurostat, EU Commission DG Ecofin, S&P Global data

Hiring intentions also consistent with positive employment growth



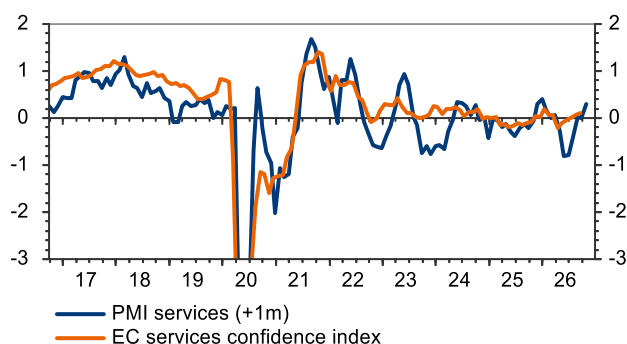
Source: Intesa Sanpaolo elaborations on Eurostat, EU Commission DG Ecofin, S&P Global data

Encouraging signs for industry



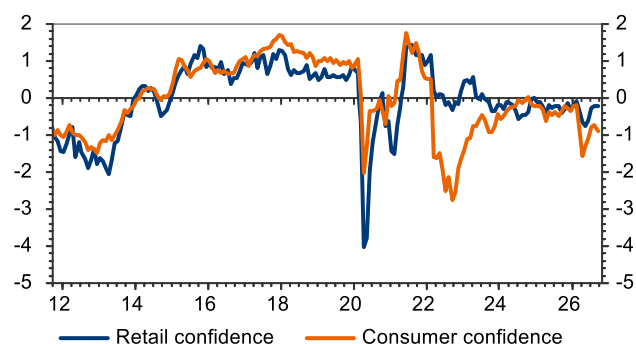
Source: Intesa Sanpaolo elaborations on EU Commission DG Ecofin, S&P Global data

Services also back in expansionary ground



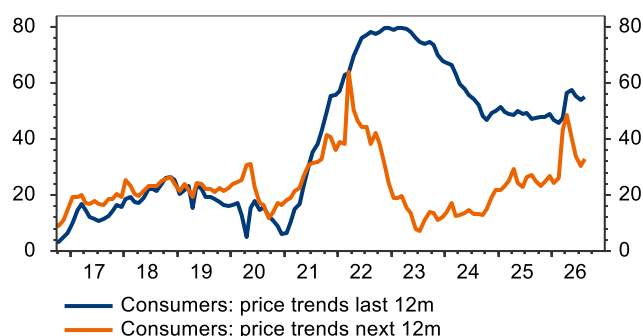
Source: Intesa Sanpaolo elaborations on EU Commission DG Ecofin, S&P Global data

Retailers are more cautious, affected by a still fragile consumer climate



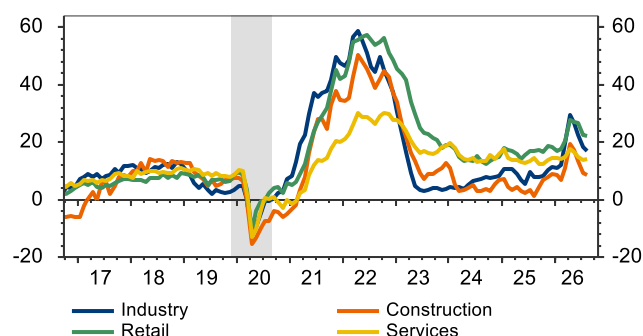
Source: Intesa Sanpaolo elaborations on EU Commission DG Ecofin data

Households' perceived and expected inflation rose back up but remains below the peaks of the previous months



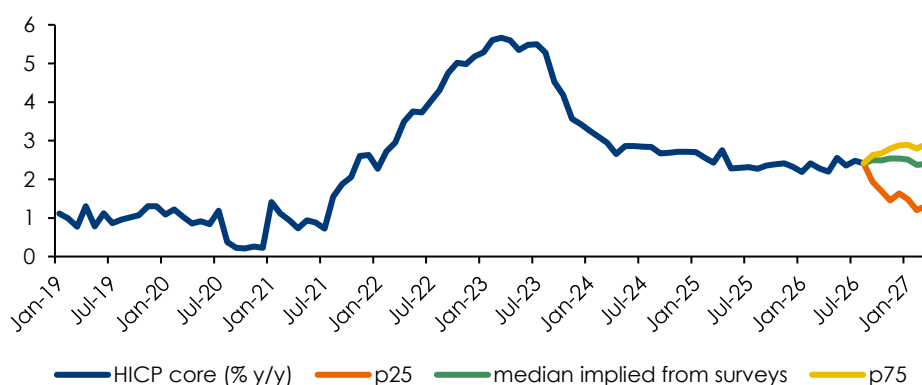
Source: Intesa Sanpaolo elaborations on EU Commission DG Ecofin data

Businesses' price expectations: rising in industry and construction but not at worrying levels



Source: Intesa Sanpaolo elaborations on EU Commission DG Ecofin data

The indications from businesses regarding prices and expected demand are consistent with core inflation of around 2.5% by the end of the year, but risks of excessive overheating remain limited



Source: Intesa Sanpaolo elaborations on Eurostat, EU Commission DG Ecofin data

Appendix

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