Snap | 28 August 2026

Strong jump in eurozone sentiment in August

The increase from 97.1 to 98.4 shows that the eurozone economy remained resilient over the summer. Despite droughts, higher energy prices and broader geopolitical concerns, momentum remains quite decent

Despite droughts, wildfires, and the ongoing war in the Middle East, eurozone sentiment remains decent

Despite ongoing concerns in Europe about the impact of climate and the continued war in the Middle East, economic sentiment actually soared compared to July. Both businesses and consumers were more optimistic about current and future economic conditions. Despite risks looming large, sentiment has now seen a clear two-month uptick with the overall economic sentiment indicator posting the highest reading since January.

Industry was more upbeat about expectations, although recent production did disappoint compared to July. The service sector actually became somewhat more upbeat about both recent activity and future demand. After some weakness in recent months, this comes as a relief from the largest sector of the economy.

Selling price expectations ticked down for industry, but increased a little for services. For the industrial sector, in particular, this is interesting as higher oil prices have put pressure on input costs again. But in line with the PMI which was out late last week, core inflationary pressures do seem to remain quite soft for the moment. And while that takes away some immediate pressure from the ECB, we do still expect a September hike.

All in all, the eurozone economy seems to be doing okay despite everything that's going on. We do expect negative impact from the summer droughts and higher oil prices for growth in the third quarter, but underlying momentum remains decent. That is quite a hopeful note amidst unabating global turmoil.

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