4 November 2026

Euro Area Macro Monitor

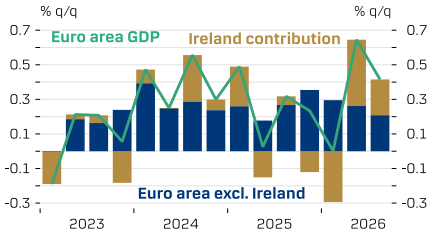
Decent growth despite high energy prices

- **Economic activity continued at a decent pace in Q3, with euro area GDP rising more than expected at 0.4% q/q (cons: 0.2% q/q, prior: 0.6% q/q).** The headline was boosted by the volatile Irish economy, which grew 5.5% q/q. Excluding Ireland, growth was 0.2% q/q, close to potential and broadly as expected. Countries moved in different directions, with Germany and Spain driving growth while France and Italy disappointed. We have some indications that domestic demand held up, particularly private and government consumption, while foreign demand was a drag. The October PMIs provide the first read on Q4 and point to continued expansion, albeit with slightly lower momentum, as the composite fell to 51.7 from 53.1, driven mainly by weaker services. Country divergence also showed in the PMIs, with France slipping into contractionary territory at 48.4 while Germany held up at 52.8 indicating a continued recovery.
- **Headline inflation rose to 4.0% y/y in October from 3.8% y/y in September, slightly above expectations due to a surprise in Italy.** The uptick was driven by energy prices, while core inflation was unchanged at 2.5% y/y amid broadly stable momentum. Since the start of the war in Iran core goods momentum has picked up somewhat, but it remains at a low level, while services momentum has been stable. The October print thus paints the same picture as in recent months, with inflation mainly driven by energy and limited spillovers to broader inflation categories.
- **The ECB kept policy rates unchanged at the October meeting, with the deposit rate at 2.50%, as expected.** We expect a 25bp hike to 2.75% in December, which Lagarde clearly signalled during the press conference, noting that if incoming data confirms the current picture, "the direction is quite clear". The press release, however, had a greater dovish focus on the lack of second-round effects and stable core inflation, so we continue to see 2.75% as the terminal rate. Finally, Lagarde announced she would step down on 7 February 2027, see *ECB Review – A no-hike decision*, 29 October.
- **Energy prices have risen further ahead of winter, with the EU gas benchmark around EUR 90/MWh, more than twice as high as last year.** Gas inventories remain historically low at 74.6% of capacity at this time of the year. Although gas consumption is around 18% below pre-2022 levels, prices are now so high that this winter's gas bill (Oct-Mar), is set to rise by around EUR 140 bn (0.75% of GDP) compared to last winter. Households have so far absorbed higher energy costs, but the longer prices stay elevated, the more likely they are to cut back on spending. We expect higher energy bills to squeeze household incomes and raise business costs, weighing on growth over the winter, mainly in Q1 2027. Headline inflation is also set to stay high for longer, as gas and electricity prices feed through to consumers gradually.

Today's key points

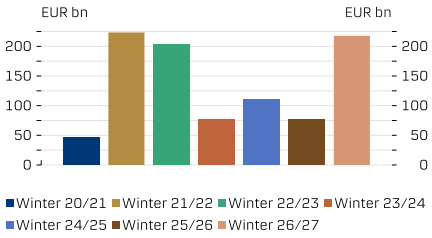
- Decent growth momentum continues.
- Headline inflation to stay elevated over the winter due to high energy costs.
- ECB to deliver a final 25bp hike in December to 2.75%.

Growth close to potential excluding Ireland



Source: Eurostat, Danske Bank, Macrobond

Nominal cost of EU heating season set to increase by around EUR 140 bn (0.7% of GDP)



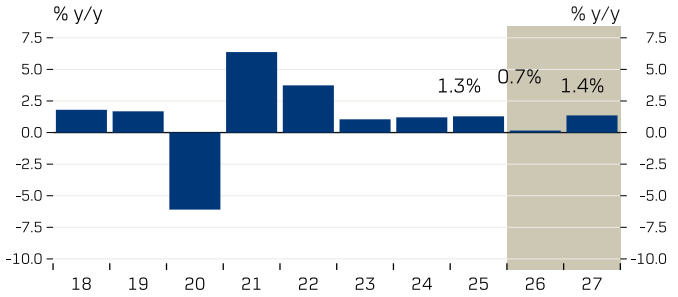
Note: Winter 26/27 assumes gas price of 90 EUR/MWh and same demand as last winter
Source: Eurostat, Danske Bank, Macrobond

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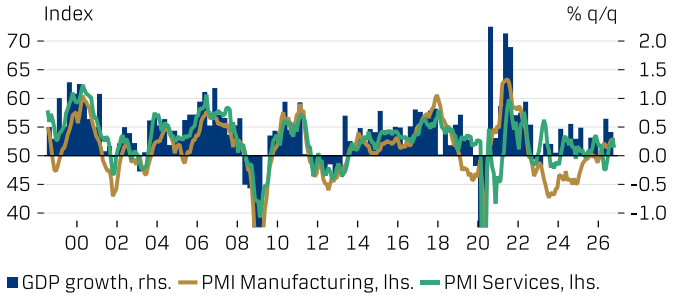
Euro area

Euro area: GDP growth forecast



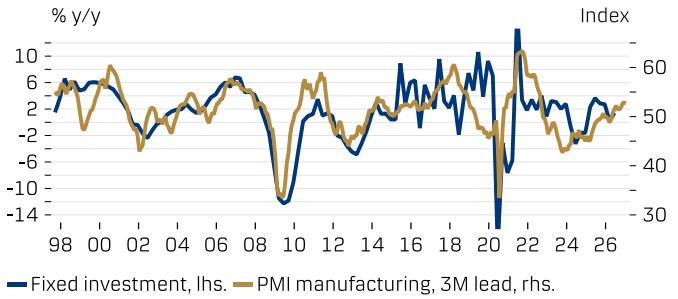
Source: Eurostat, Macrobond Financial, Danske Bank

Euro area: PMI and GDP growth



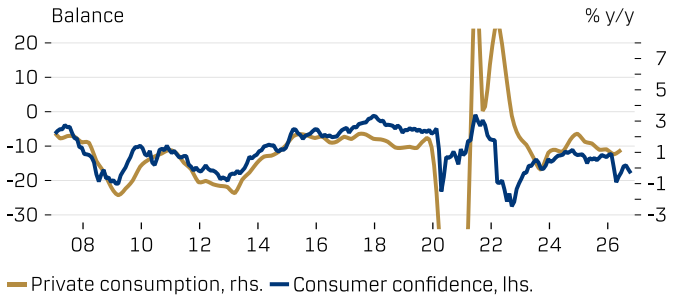
Source: Macrobond Financial, Danske Bank

Euro area: Manufacturing sentiment and investments



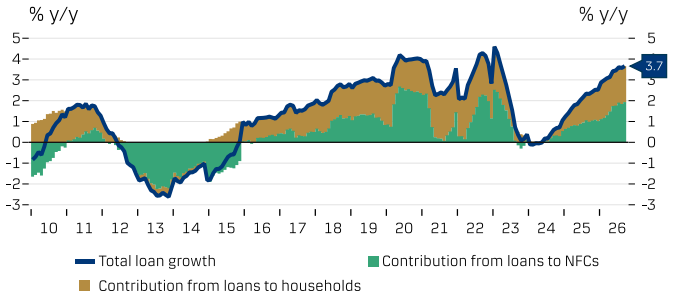
Source: S&P Global, Eurostat, Macrobond Financial

Euro area: Consumer confidence and private consumption



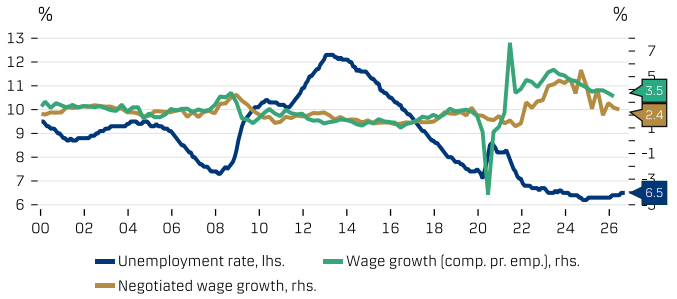
Source: Eurostat, European Commission, Macrobond Financial

Euro area: Credit growth



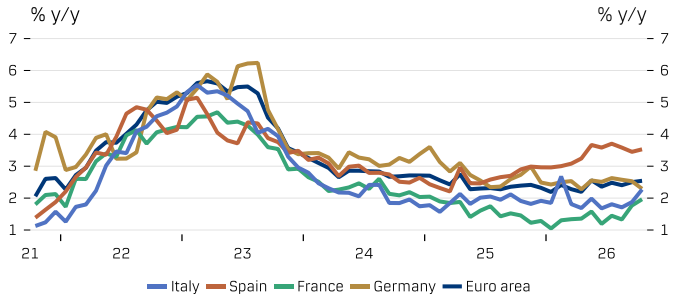
Source: ECB, Macrobond Financial, Danske Bank

Euro area: Unemployment and wage growth



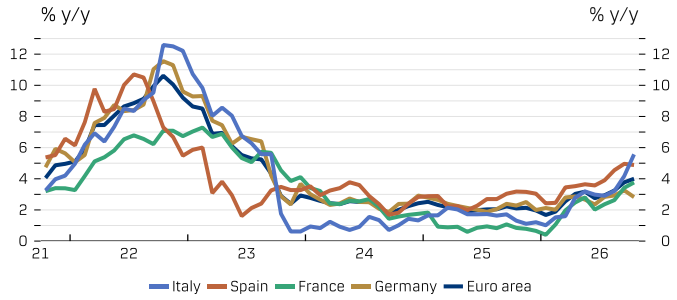
Source: ECB, Eurostat, Macrobond Financial

Euro area: Core inflation



Source: Eurostat, Macrobond Financial

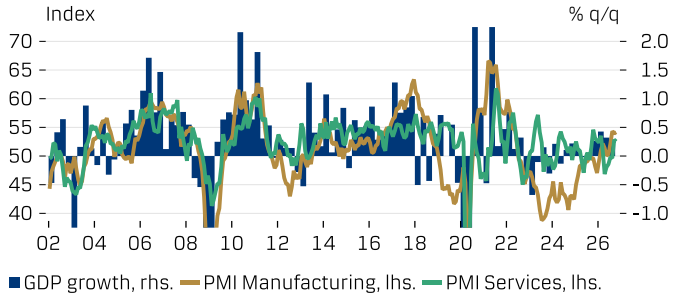
Euro area: HICP inflation



Source: Eurostat, Statistisches Bundesamt, Macrobond Financial, Danske Bank

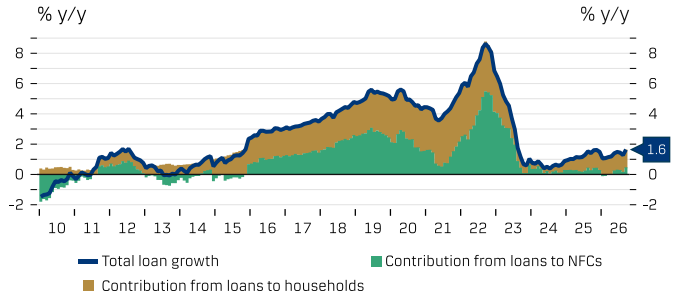
Germany

Germany: PMI and GDP growth



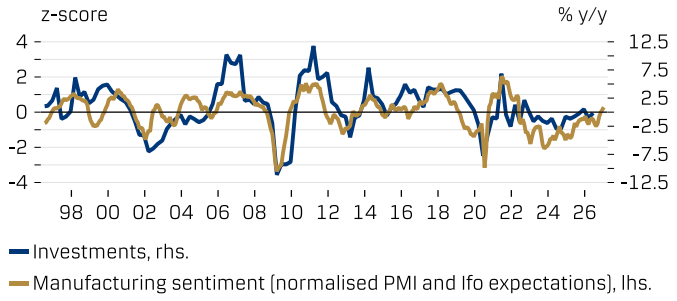
Source: S&P Global, Eurostat, Macrobond Financial

Germany: Credit growth



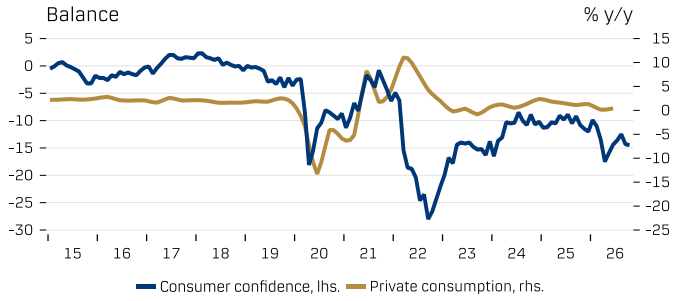
Source: Deutsche Bundesbank, Eurostat, Macrobond Financial, Danske Bank

Germany: Manufacturing sentiment and investments



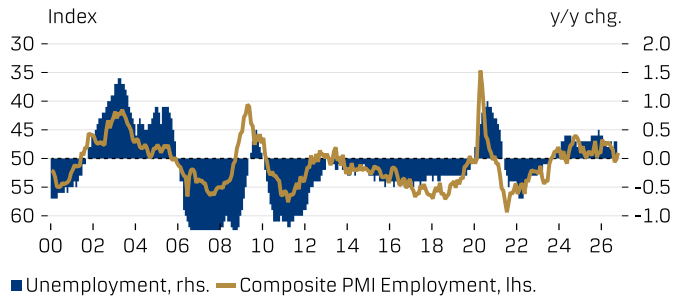
Source: S&P Global, Eurostat, Macrobond Financial

Germany: Consumer confidence and private consumption



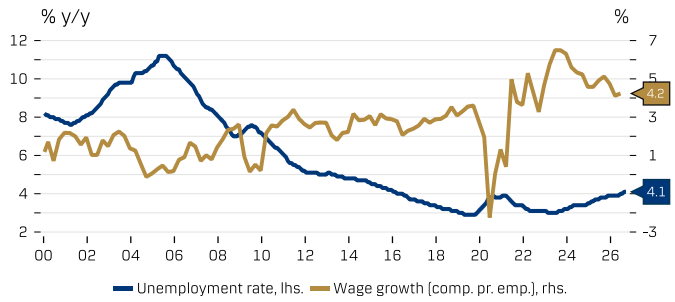
Source: European Commission, Eurostat, Macrobond Financial

Germany: Unemployment and PMI



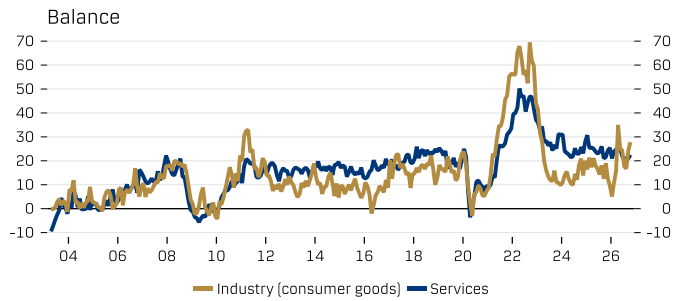
Source: S&P Global, Eurostat, Macrobond Financial

Germany: Unemployment and wage growth



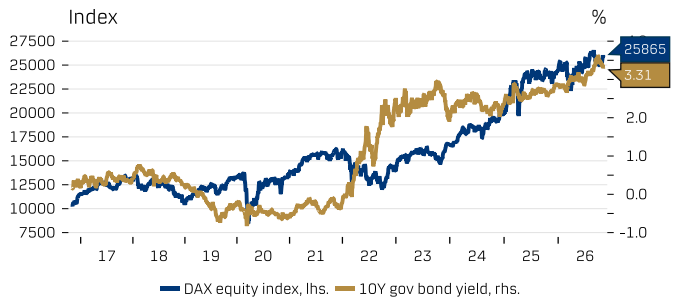
Source: ECB, Eurostat, Deutsche Bundesbank, Macrobond Financial

Germany: Selling price expectations



Source: EU Commission, Macrobond Financial, Danske Bank

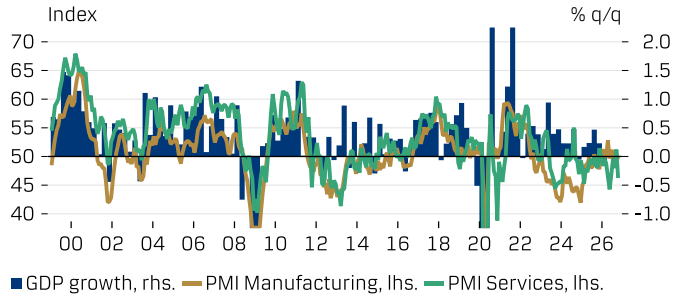
Germany: Financial markets



Source: Deutsche Boerse, Macrobond Financial, Danske Bank

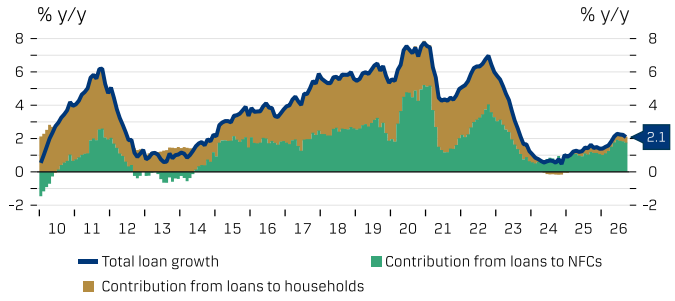
France

France: PMI and GDP growth



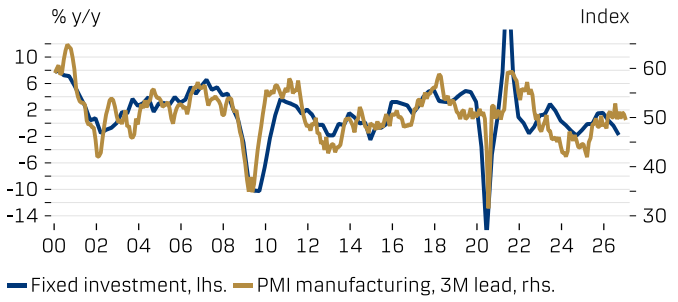
Source: S&P Global, Eurostat, Macrobond Financial

France: Credit growth



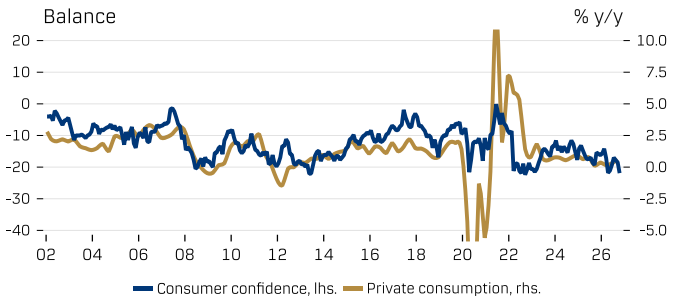
Source: ECB, Macrobond Financial, Danske Bank

France: Manufacturing sentiment and investments



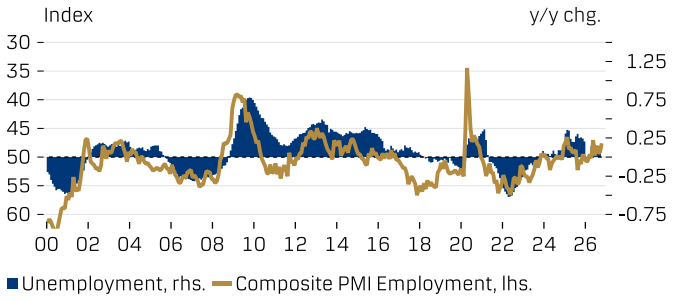
Source: S&P Global, Eurostat, Macrobond Financial

France: Consumer confidence and private consumption



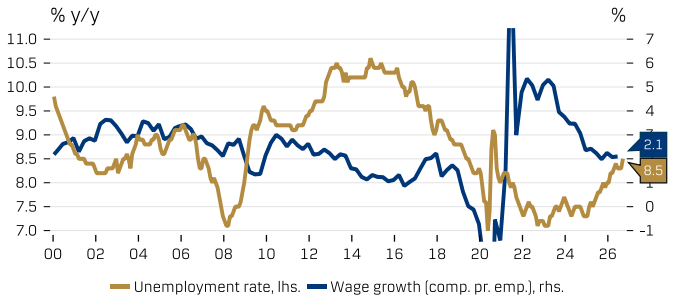
Source: European Commission, Eurostat, Macrobond Financial

France: Unemployment and PMI



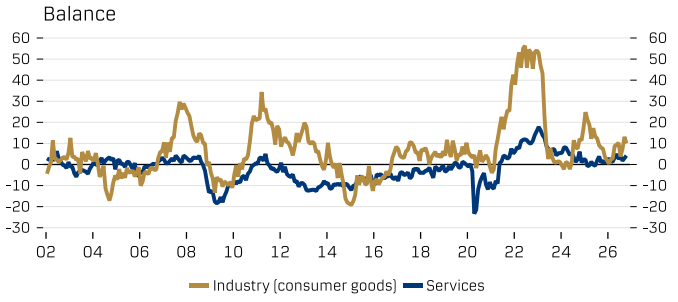
Source: S&P Global, Eurostat, Macrobond Financial

France: Unemployment and wage growth



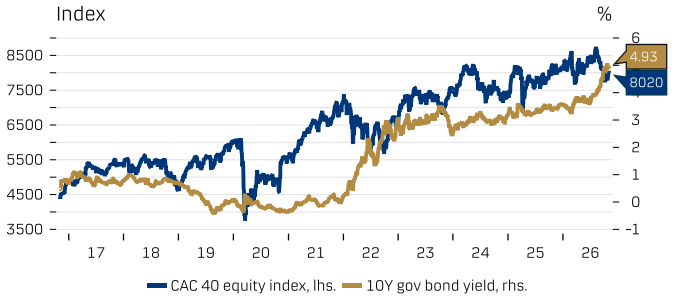
Source: ECB, Eurostat, Macrobond Financial, Danske Bank

France: Selling price expectations



Source: EU Commission, Macrobond Financial, Danske Bank

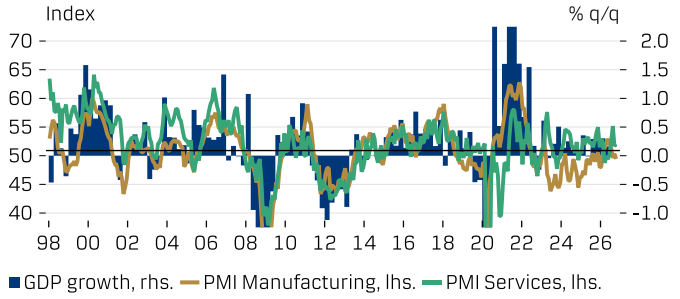
France: Financial markets



Source: Euronext, Macrobond Financial, Danske Bank

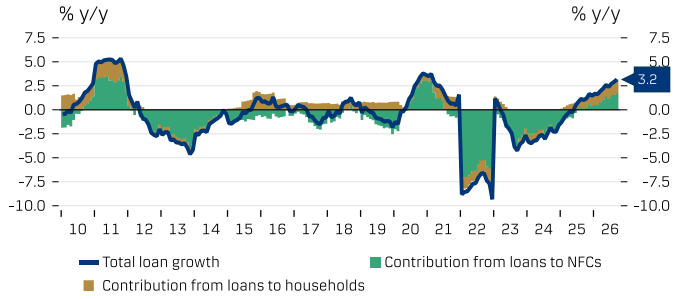
Italy

Italy: PMI and GDP growth



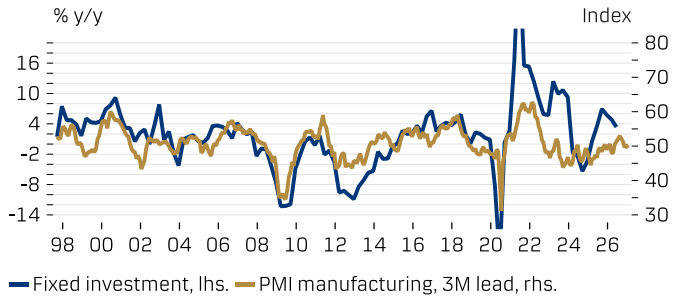
Source: S&P Global, Eurostat, Macrobond Financial

Italy: Credit growth



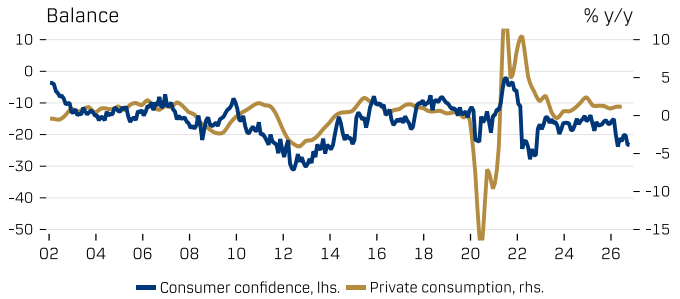
Source: ECB, Macrobond Financial, Danske Bank

Italy: Manufacturing sentiment and investments



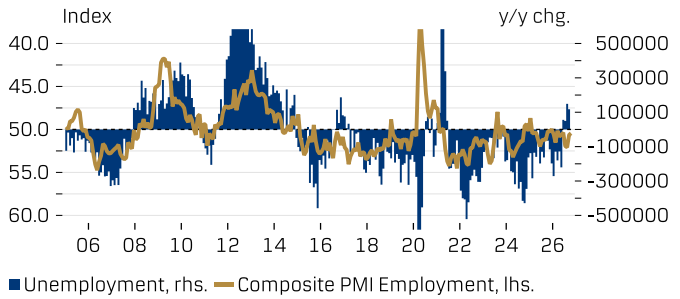
Source: S&P Global, Eurostat, Macrobond Financial

Italy: Consumer confidence and private consumption



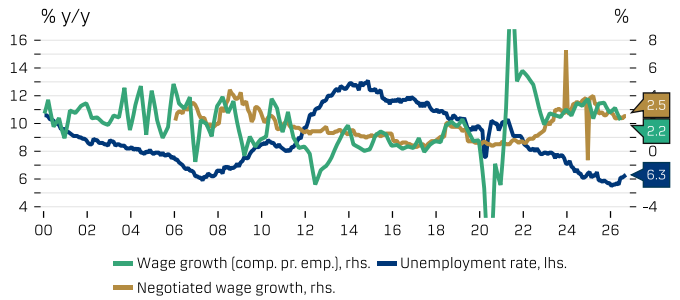
Source: European Commission, Eurostat, Macrobond Financial, Danske Bank

Italy: Unemployment and PMI



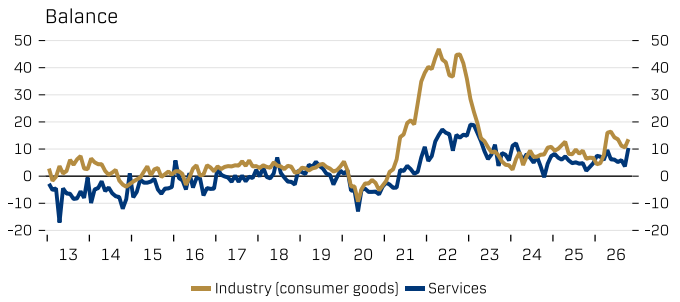
Source: S&P Global, Eurostat, Macrobond Financial

Italy: Unemployment and wage growth



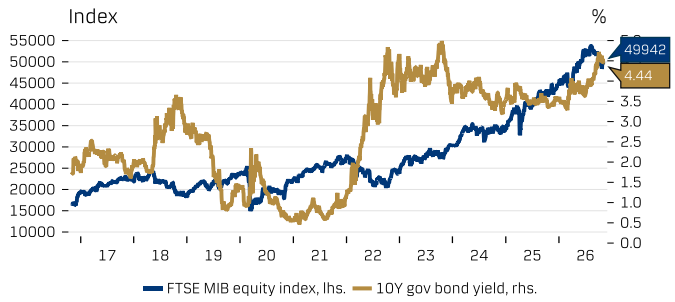
Source: ECB, Eurostat, Istat, Macrobond Financial, Danske Bank

Italy: Price expectations



Source: EU Commission, Macrobond Financial, Danske Bank

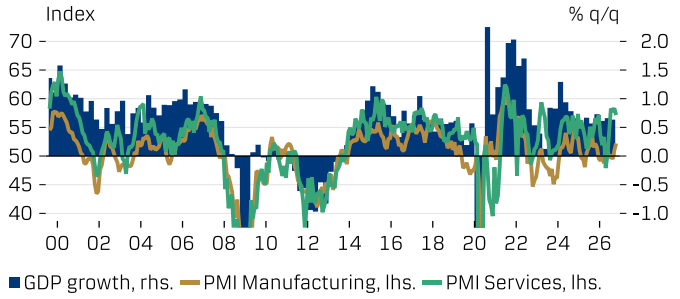
Italy: Financial markets



Source: FTSE, Macrobond Financial, Danske Bank

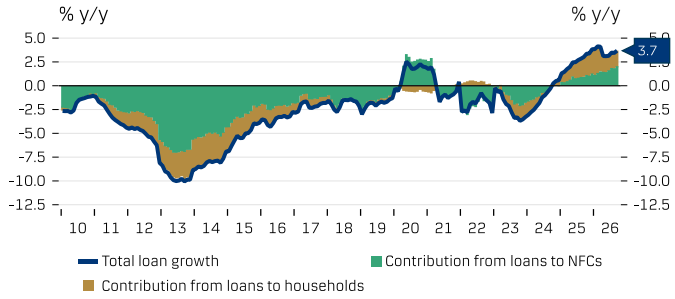
Spain

Spain: PMI and GDP growth



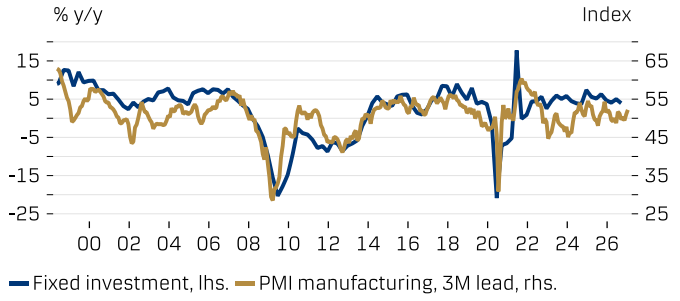
Source: S&P Global, Eurostat, Macrobond Financial

Spain: Credit growth



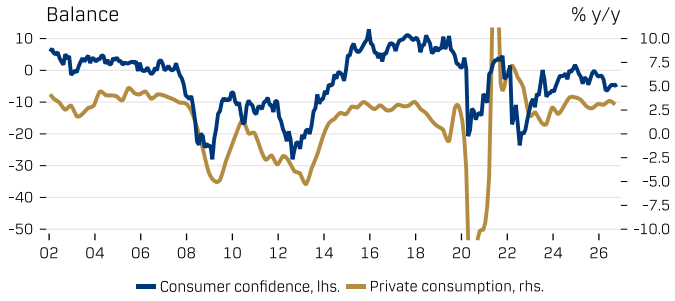
Source: ECB, Macrobond Financial, Danske Bank

Spain: Manufacturing sentiment and investments



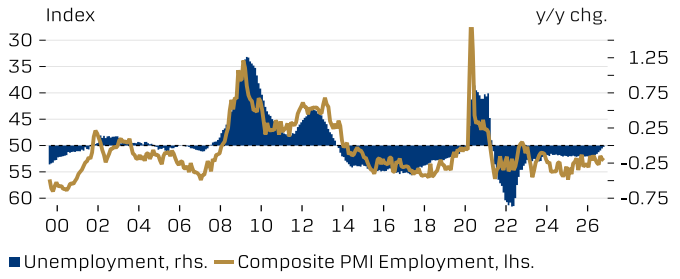
Source: S&P Global, Eurostat, Macrobond Financial

Spain: Consumer confidence and private consumption



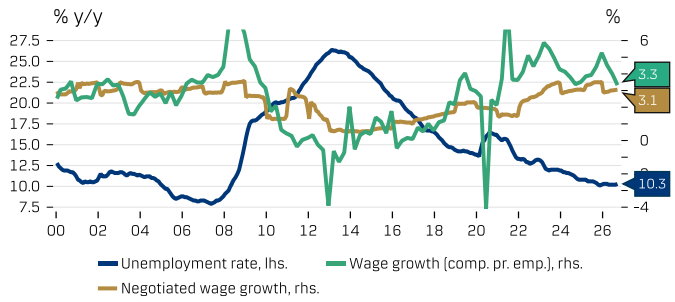
Source: European Commission, Eurostat, Macrobond Financial

Spain: Unemployment and PMI



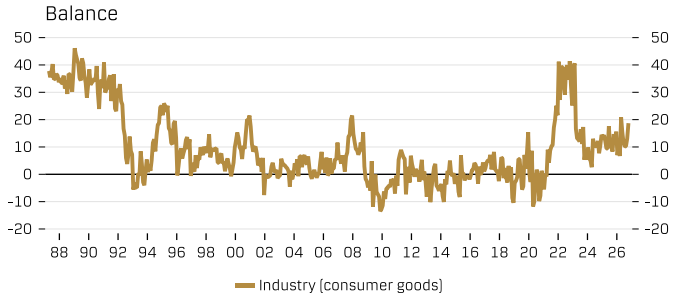
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Spain: Unemployment and wage growth



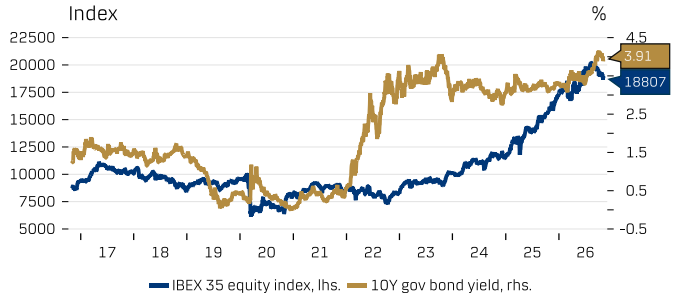
Source: ECB, Eurostat, Ministry of Labor and Social Economy, Macrobond Financial, Danske Bank

Spain: Price expectations



Source: EU Commission, Macrobond Financial, Danske Bank

Spain: Financial markets



Source: Madrid Stock Exchange, Macrobond Financial, Danske Bank

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This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Ella Schlüntz, Assistant Analyst, and Rune Thyge Johansen, Senior Analyst.

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