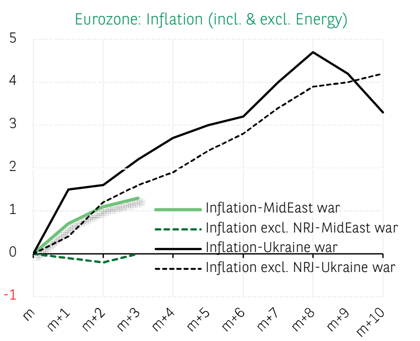
Eurozone: Inflation remains driven by energy, pressures continue to develop but without intensifying, confidence enjoys a respite

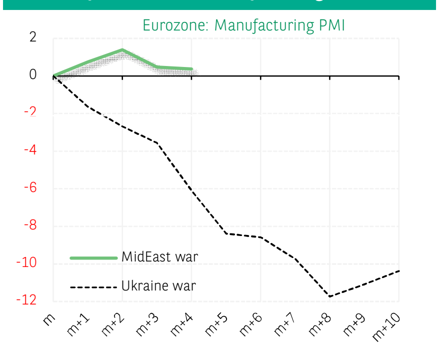
We have selected two inflation measures (with and without energy) and six survey indicators: business confidence, as measured by the PMIs in the manufacturing and services sectors; the “input prices” and “output prices" components of the composite PMI (in order to identify direct inflationary pressures); the “suppliers’ delivery times” component of the manufacturing PMI (a direct indicator of possible supply difficulties and supply-demand imbalance, and therefore, indirectly, of inflationary pressures in the making); household confidence, as reflected in its “assessment of financial situation in the next 12 months” component (in order to capture the impact of inflation on purchasing power). The trends in each of these indicators are observed relative to month m=0, corresponding to the start of the conflict. Each line does not represent the level of the indicator, but its cumulative variation compared to month m=0.

The assessment of the available data for May is rather positive. Granted, inflation keeps rising (+1.3 percentage points over three months), but the contribution of the "energy" component remains dominant. According to the PMIs business climate surveys, inflationary pressures continue to develop through rising input prices, while the increase in output prices is more contained. However, the lengthening of delivery times continues, which is likely to fuel inflation. Business confidence in the manufacturing sector has deteriorated a bit, after four consecutive months of improvement. This time, business confidence in services and consumer confidence are sources of good news: the former has stopped falling and the latter has slightly recovered. Now that the risk of a severe escalation of the conflict in Iran has decreased, it remains to be seen to which extent survey data will improve starting in June.

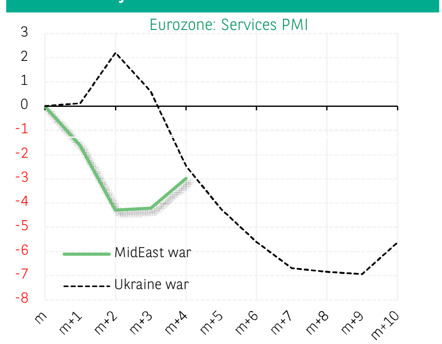
May 2026: The inflation rise remains energy-led



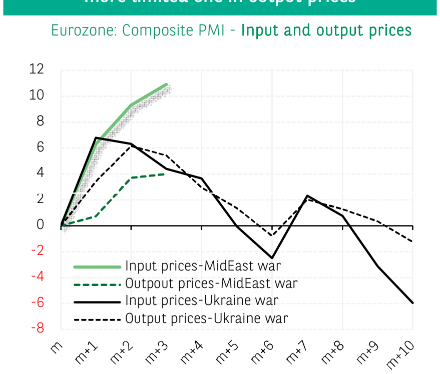
May 2026: Limited correction of business confidence in the manufacturing sector



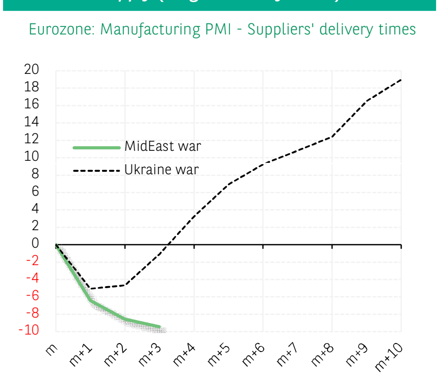
May 2026: No further deterioration in business confidence in the services sector



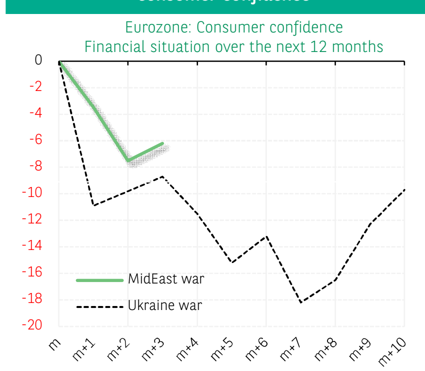
May 2026: Sharp rise in input prices continues, more limited one in output prices



May 2026: More signs of rising tensions on supply (longer delivery times)



May 2026: Small but encouraging rebound in consumer confidence



Change since m = 0 = February 2026 / February 2022. Unit: inflation change in percentage point, point for confidence surveys.

Source: S&P Global, Eurostat, European Commission, Macrobond, BNP Paribas