

The following offers a succinct look at the main macroeconomic developments across inflation, activity indicators and the labour market since the last ECB decision. It's part of the full MNI ECB Preview ([here](#)).

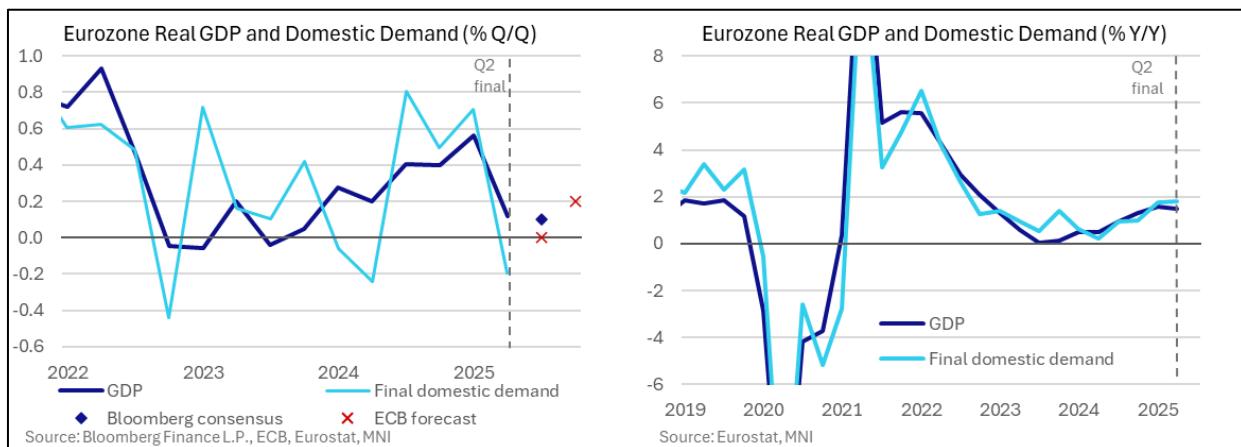
## Macro Developments Since The Sep 11 ECB Decision: General Resilience (Again)

Oct 29, 2025 – By Chris Harrison

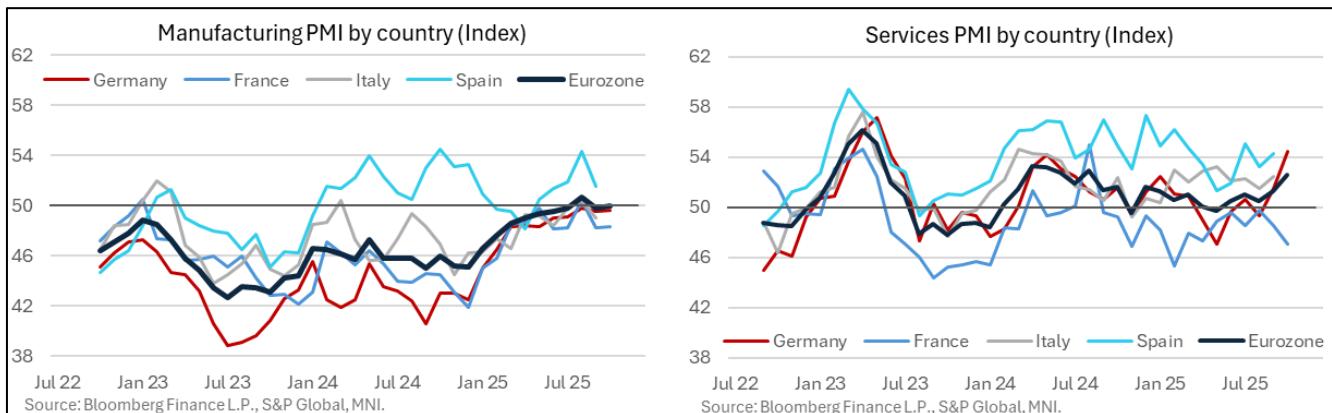
One of the more notable recent updates were surprisingly strong PMIs in the flash October report on Friday, supporting prior ECB arguments about the resilience of economic growth. Inflation meanwhile has come in largely as expected, albeit with some recent softer services momentum vs an acceleration in core goods momentum. The timing of the meeting does however come at an awkward time for digesting latest trends. Flash Q3 national accounts and September unemployment for the Eurozone are released on the day of the ECB decision along with Germany and Spain October HICP inflation, before Eurozone wide HICP inflation for October and German retail sales for September are released the day after the decision.

### Growth: Resilient But Tepid Hard Data Before Recent PMI Optimism

Hard data since the ECB decision have been on the tepid side but still see analysts eyeing a slightly stronger Q3 for real GDP growth than the ECB, with consensus for a second consecutive 0.1% Q/Q vs the ECB's 0.0% from the September projection. The Q3 flash report is published on the second day of the two-day ECB meeting although there's not a huge amount to analyse being an advance release with limited details. We will have to wait for subsequent releases for the category breakdown although one area we'll be focusing most closely on is the extent to which inventories boosted a large 0.5pp back in Q2. Indeed, final domestic demand actually dragged 0.2pps from real GDP growth in Q2 although that did follow three particularly strong quarters worth an average 0.6pp per quarter through 3Q24-1Q25. As for higher frequency hard indicators, industrial production slumped -1.2% M/M in August despite a large boost from the volatile Irish series. Germany was of course a clear driver of this weakness as it tumbled -5.2% M/M due to a slump in autos production in large part linked to holiday closures and production changeovers. Nevertheless, other major Eurozone countries also all saw weakness on the month and will see their September releases watched closely for signs of recovery. As for the consumer, retail sales were as expected in August, rising a mild 0.1% M/M after -0.4% M/M in July that had come ahead of last month's ECB meeting.



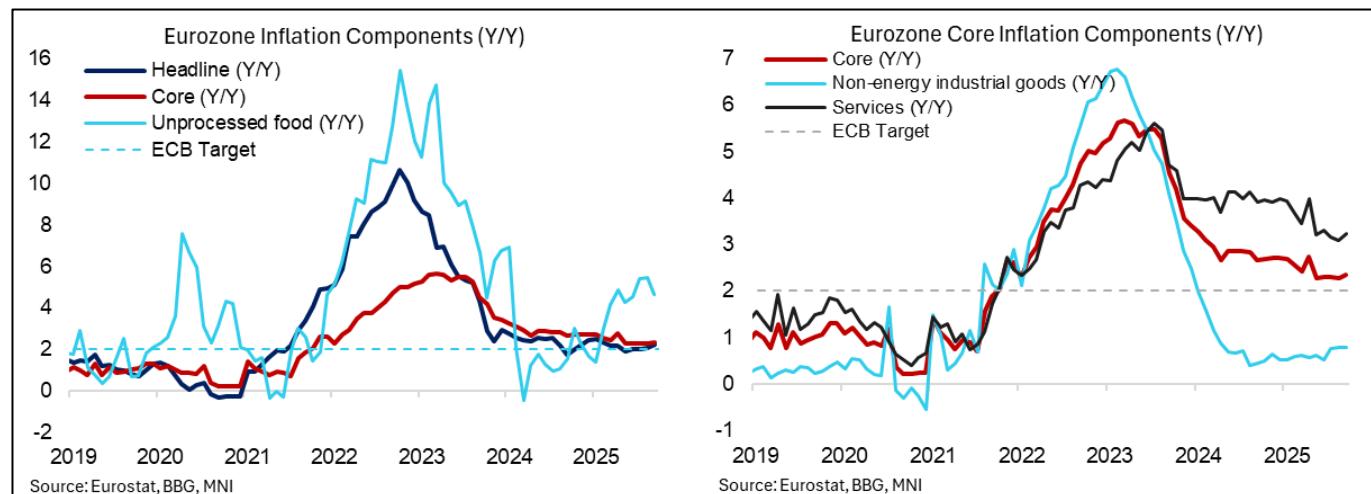
Soft indicators look more encouraging, especially judging by the S&P Global PMI where the Eurozone composite increased to 52.2 in Friday's flash release for October for a joint high since May 2023. This had been 51.0 in August in the latest data available to the ECB at last month's meeting with a marginal increase to 51.2 in September in the interim. The services index drove this latest increase at 52.6 (+1.3pts on the month and +2.1pts since the ECB last met), dominated by Germany at 54.5 (+3pts and +5.2pts) according to the limited country breakdown available with the flash. The previous improvement in manufacturing activity seen through 1H25 appears to have stalled however, at 50.0 in October (+0.2pts and -0.7pts). Germany may have seen its highest composite PMI since May 2023 although France has seen a warning sign from political uncertainty, at its lowest since February and three points lower since the last ECB meeting.



### Inflation: ECB Confidence In Its Forecast Intact

Headline HICP inflation was broadly as expected in September at 2.24% Y/Y after August's 2.04% Y/Y for its fastest since February. The 2.1% averaged in Q3 met ECB expectations from the September projection although only the September release was new information. That same ECB forecast then sees a return to 2.0% Y/Y in Q4 before slowing to an average 1.7% Y/Y through 2026. Core inflation meanwhile ticked up from 2.27% to 2.35% Y/Y in September for its fastest since April, with rounding exaggerating what initially looked like a surprise upward revision in the final release having initially printed a rounded 2.3% in the flash. The ECB sees this easing to 2.2% in 4Q25 before 1.8% in 4Q26 and 1.9% in 4Q27. Services inflation, an area that continues to see heavy focus, accelerated from 3.10% to 3.24% Y/Y for its fastest since June but still maintains a sizeable moderation from the 4% Y/Y it started the year at. The ECB sees services inflation ending the year at 3.2% Y/Y in Q4 before 2.5% in 4Q26 and 2.4% in 4Q27.

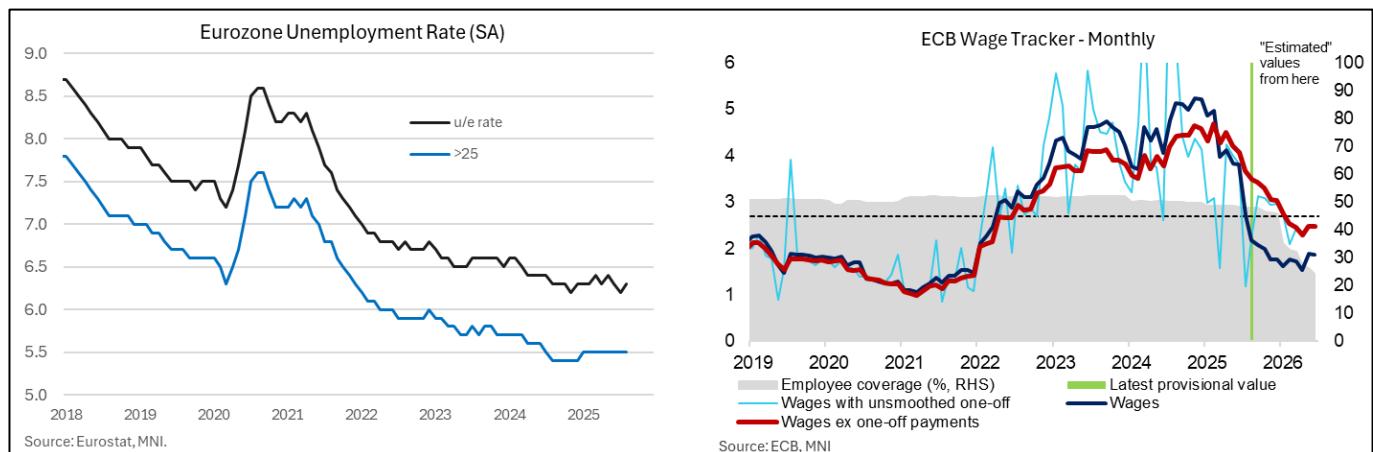
Latest 3m/3m run rates from the ECB's seasonally adjusted data of 2.34% annualised for core and 2.84% for services will on balance likely have seen the ECB maintain confidence in its inflation forecast. One of the more interesting areas however has been an acceleration in non-energy industrial goods to 1.46% annualised for its fastest since Oct 2023, pointing to upside risks to the latest 0.8% Y/Y rate. It will be interesting to see to what extent this hawkish element comes across in the statement and Lagarde's press conference, considering some of the hawkish Governing Council members have been cautioning on the inflationary aspects of supply chain disruption. Unfortunately for getting a sense of latest developments, the flash October HICP report will be released the day after the ECB decision on Oct 31.



## Labour Market: Unemployment Rate Close To Lows, Wages Remain On Cooling Track

The unemployment rate surprised a tenth higher in August at a seasonally adjusted 6.3%, ticking up from an unrevised 6.2% in July. The lack of upward revision was of some note after regular upward revisions in recent months, leaving that 6.2% at joint historical low along with Nov 2024. As such, the unemployment rate continues to point to a historically tight labour market, and analysts expect more of the same in the September report released also on the day of this week's ECB decision.

Meanwhile, revisions to the ECB wage tracker, released as usual the Wednesday after the ECB decision, were immaterial relative to the July update. As is also typical, the ECB will have had access to this latest estimate with the September meeting but we include here with it being the ECB's primary focal point for wages. The tracker excluding one-off payments (which is probably the best measure of underlying compensation pressures) was estimated at 2.58% in Q1 2026, down from 2.61% in July. The tracker now includes data up to Q2 2026, albeit with a low employee coverage, with wages excluding one-offs currently seen at 2.41% Y/Y for what would be modest additional moderation. As indicated by President Lagarde in the September press conference, the tracker continues to suggest that compensation pressures will ease in the coming years.



## Lending: Q3 BLS Suggests The Door Shouldn't Be Closed To Another Cut

The ECB's Q3 BLS (full survey [here](#)) broadly echoes the signals from Monday's September credit data and SAFE survey. There was a small net tightening in credit standards in Q3, and while net demand increased, it remains weak. Geopolitical and trade risks were cited as factors contributing to tighter standards and subdued demand. Overall, the survey doesn't signal an urgent need for another rate cut, but suggests the door should not be closed to such a move. Too hawkish a signal from President Lagarde on Thursday could reflexively promote further tightening in credit standards/conditions.

### Standards: Small unexpected net tightening

- “Euro area banks reported a small unexpected net tightening of credit standards for loans or credit lines to firms in the third quarter of 2025 (net percentage of banks of 4%)”
- “Across the four largest euro area countries, banks in Germany reported a tightening of credit standards while banks in France, Italy and Spain reported unchanged credit standards.”
- “Banks reported unchanged credit standards for housing loans and a moderate net tightening for consumer credit (net percentages of 0% and 5% respectively). Changes in banks' risk perceptions were the main drivers of this tightening for consumer credit.”

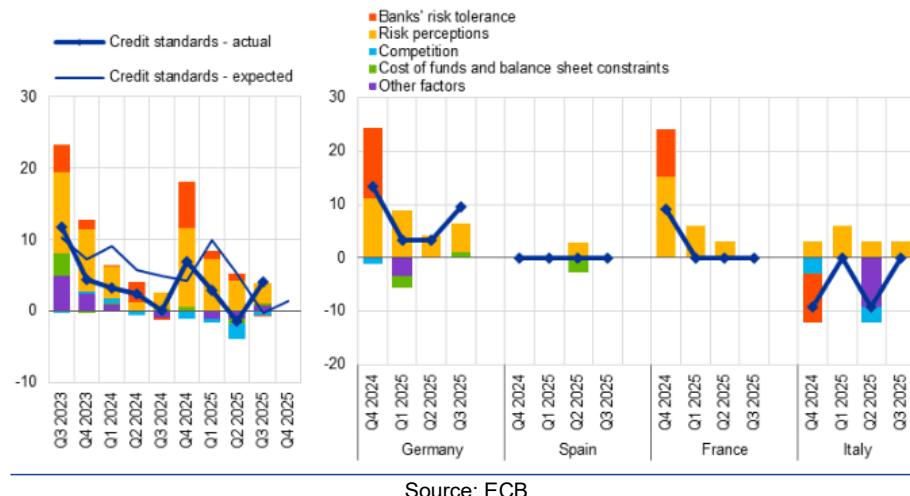
### Demand: Increased, but remains weak

- “Firms' demand for loans increased slightly in the third quarter of 2025 (net percentage of 2%) but remained weak overall.”
- “Several banks referred to a dampening impact on loan demand from global uncertainty and the related trade tensions. Across the four largest euro area countries, banks in Germany, Italy and Spain reported a net increase in firms' loan demand, whereas banks in France reported another marked net decrease.”
- “Banks reported a further net increase in demand for housing loans, while demand for consumer credit was broadly unchanged (net percentages of 28% and 1% respectively).”

**Chart 1**

Changes in credit standards applied to the approval of loans or credit lines to enterprises, and contributing factors

(net percentages of banks reporting a tightening of credit standards and contributing factors)



Source: ECB