ECONOMY

Eurozone Confidence Revives, Points to Growth

Survey Reinforces View That Currency Area Will Avoid Return to Contraction

Shoppers stand in a street in Ronda, southern Spain, on July 30. Eurozone consumer and business confidence rose in October, according to a survey. REUTERS

By PAUL HANNON

Updated Oct. 30, 2014 8:17 a.m. ET

Businesses and consumers across the 18 countries that share the euro became slightly more upbeat about their prospects during October, a fresh sign that the currency area’s economy is unlikely to slide back into contraction.

The pickup in confidence follows surveys of purchasing managers released last week that recorded a slight acceleration in the growth of activity, while figures also released Thursday showed a surprising fall in the number of Germans without work.

A run of poor data from the eurozone published in the first half of this month and largely covering August and September had fueled concerns the currency area’s anemic recovery had ended, threatening a slide into a period of deflation. But more recent surveys and data releases suggest that grim fate has likely been avoided for now.

The European Commission on Thursday said its Economic Sentiment Indicator—a measure of consumer and business confidence—rose to 100.7 in October from 99.9 in September. Economists had expected a decline to 99.7.

The pickup in confidence suggests households and businesses may raise their
spending in coming months. It was spread across all business sectors, including

- German Jobless Numbers Fall in October
- Spanish Economy Advances
- Heard on the Street: Eurozone PMI: Price Moves Important

industry and services, and across many of the eurozone’s largest national economies, including Germany, France, Italy and the Netherlands.

The confidence survey comes days after largely positive results from the European Central Bank’s long-awaited health check of European banks. The ECB concluded most of the 130 banks it reviewed are healthy, and that many needing additional capital have already taken the necessary steps.

The ECB reported Wednesday that eurozone banks marginally eased loan standards to the private sector in the third quarter, potentially signaling their increased willingness to offer funds to credit-starved firms and households.

The eurozone economy emerged from 18 months of contraction in the second quarter of 2013, but slowed again in the first half of this year, leading to fears it may once again be shrinking.

Official figures for third-quarter gross domestic product will be released Nov 14, and they may show a slight decline in output. But the revival evident in surveys and harder data in October suggests any slide into contraction would be short-lived.

The near stagnation of the eurozone economy in the second quarter was a key factor in persuading the European Central Bank to announce a fresh package of stimulus measures on Sept. 4, including cutting the bank’s key interest rates and announcing two bond-buying programs.

The second wave of stimulus measures in four months was intended to stave off widespread and self-reinforcing declines in consumer prices. The commission’s survey carried a rare piece of encouraging news for policy makers, with most businesses reporting that they expected the prices they charge to be higher in coming months than they had expected in September, while consumers’ inflation expectations also picked up.

“The European Commission’s survey will be of appreciable relief to the ECB, particularly as it shows rising inflation expectations in addition to a widespread pickup in business and consumer confidence,” said Howard Archer, an economist at
IHS Global Insight.

Data from Germany’s labor agency showed the number of jobless fell 22,000 in October, which was the steepest rate of decline in joblessness in six months, and followed an increase of 9,000 in September.

Separately, figures from Spain showed consumer prices fell less sharply in the 12 months to October than in the 12 months to September. The country’s National Statistics Institute also reported that the eurozone’s No. 4 national economy grew 0.5% in the three months to September from the second quarter, a modest slowdown from the 0.6% rate of growth recorded in the three months to June.

Belgium also released October inflation figures Thursday, and they showed a return to very modest price growth after the equally slight declines recorded in September.

—Todd Buell in Frankfurt contributed to this article

Write to Paul Hannon at paul.hannon@wsj.com