

## Eurozone: a dismal third quarter confirmed

GDP growth in the Eurozone was confirmed at just 0.2% in Q3. Industrial production saw a decline in September. While a small recovery of GDP is expected for Q4, growth momentum has clearly been lost in 2018



The second estimate, GDP growth was confirmed at just 0.2% QoQ and 1.7% YoY. The main culprit was Germany, the Eurozone's stronghold throughout the 2010s, which saw its economy shrink by -0.2% in Q3. Disruptions in the car industry were an important driver of the first negative quarter since 2015 and the slow quarter in the Eurozone, but it seems that the worries about growth are broader than that.

Exports are weaker thanks to global problems related to trade wars and emerging markets, and consumption was dampened by the higher oil prices seen in Q3. The stagnation in Italy's economy adds to worries around the Italian budget. The confrontation with Brussels has not been resolved as the ball now returns to the European Commission's court that now has to decide whether to put Italy in an excessive deficit procedure.

Industrial production in the Eurozone posted a very small decline in Q3, adding to the slow growth

performance. Production in September dropped by -0.3% MoM. On the year, growth is just 0.9% for industry and production is still well below the November peak. 2018, therefore, seems to have become the year of one-off excuses for a severe weakening of growth. The question is whether this explains the whole picture or whether these are excuses along the lines of “the dog ate my GDP” and something more structural is happening. While a small recovery of growth in Q4 is in the making, it seems evident that the growth cycle for the Eurozone already peaked last year.

## Author

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).