

## Eurozone: A smorgasbord of sluggishness

With weakening sentiment in April and slowing lending growth in March, signs of strength haven't really yet returned, although green shoots are appearing



Today's eurozone indicators provide a wealth of information about the state of the economy, and most of them aren't pointing towards a growth acceleration. Even though the cause for improvement seems to be there, nothing is showing up!

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Eurozone lending growth is usually a very steady indicator but has had a bit of a bumpy ride over Q1. After a decline in growth in January and a strong recovery in February, lending in March once again disappointed. Loan growth to households decreased slightly from 3.3% to 3.2% YoY and seems to have plateaued. Loan growth to non-financial businesses declined to 3.5% and even though February data was strong, the peak in loan growth of 4.3% in September 2018 is well behind us. Uncertainty and lack of confidence in the business world seem to have a material impact as financial conditions remain very favourable for the moment.

Indeed, economic sentiment declined again in April as the Economic Sentiment Indicator dropped from 105.4 to 104. This rounds out a poor start of the surveys to Q2 as the PMI, Ifo and consumer confidence also fell this month. The difference between industry and services remains striking as industrial confidence declined markedly while services confidence remained stable. Especially increased pessimism about current order books and production expectations are a cause for concern.

One would expect some green shoots to emerge, as the euro has depreciated, we've seen positive macro data from China and the US and one-off factors are still expected to reverse. Indeed, one encouraging sign is that export orders have been more positively assessed in April, which could be taken as a green shoot for the industry. In the service sector, business expectations are improving again as consumer spending is set to continue to contribute positively to GDP.

So although incoming data hasn't exactly turned a corner yet, hope for a growth pickup in the coming months remains alive.

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