

Eurozone economic sentiment continues to decline in March

While the economic outlook remains benign, expect some moderation after the summer as uncertainty impacts sentiment. But there isn't much in this survey that'll please the ECB



Source: Shutterstock

This drop in the Eurozone Sentiment Indicator (ESI) from 114.2 to 112.6 rounds out the second month of disappointing survey data for the Eurozone.

While the economy continues to perform strongly, some clouds have reemerged on the horizon. Trade war concerns take centre stage and are adding uncertainty to the outlook for businesses and impacting the view on the general economic situation for consumers. Both manufacturers and the service sector experienced declining sentiment. Consumer confidence was unchanged after a large drop in February as lower expectations for inflation offset a weaker view on the economy and household finances.

As the economic outlook comes down from cloud nine, there isn't much in this survey that will please the ECB. Expect continued

dovish talk as the summer and decision on QE approaches

Last month, the drop was mainly due to a decline in expectations from manufacturers and consumers. The developments in recent production, new orders and exports were only slightly negative. This month, we see indicators for recent production and new orders have come down somewhat more. Even though still at elevated levels of activity, this does signal that some moderation of growth seems to be underway.

On the bright side, employment expectations in services continue to improve despite uncertainty about global growth, meaning that the job market is likely to stand firm in the months ahead which should limit the downside to consumption growth as well. Export orders books only dropped from 2.5 to 2, indicating that the main channel through which trade concerns impact the economy for the moment is confidence and not yet trade itself.

The inflation outlook came down in March as both consumers and businesses in manufacturing and services saw selling price expectations decrease. As pipeline price pressures seem to level off a bit and the economic outlook is coming down from cloud nine, there is not much in this survey that will please the ECB. Expect continued dovish talk as the summer and decision on QE approaches.

Author

Bert Colijn

Chief Economist, Netherlands

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.