

## 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



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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.

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*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.

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