

## Eurozone economic sentiment declines in October

Latest figures show another poor start for the eurozone at the beginning of the fourth quarter. If GDP growth is positive, it'll be at a snail's pace



The ESI dropped from 101.7 to 100.8 in October, with all sectors except construction contributing to the decline. The weakening in both manufacturing and services was particularly worrisome as this indicates that the industrial recession may still be deepening and that spillovers to services have resumed after a brief respite in September.

The decline in manufacturing sentiment was mainly related to production and employment expectations weakening. Manufacturing enterprises expect a tough winter before things could get better, even though some green shoots can be found in the survey data. The production trend observed in recent months was better than in September, and the order books seem to be bottoming out at low levels. Export orders even improved somewhat, but as this is a volatile index it is too early to call it a turnaround. As capacity utilisation decreased again, the investment outlook for Q4 will also probably be meagre.

Services sentiment weakened in October thanks to lower expectations for the months ahead and a poorer assessment of the business situation. Employment growth also weakened in services, which doesn't bode well for future domestic demand expectations. The green shoot for services is

that hiring expectations for the coming months did improve again.

With hopeful news about the main global economic issues such as the trade war and Brexit, the question has become whether a turnaround in orders and confidence will come quickly enough to prevent this slowdown from becoming a recession. There's not much evidence of that as we progress into the fourth quarter and that's keeping recession concerns alive.

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