

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.

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 <http://www.ing.com>.