

Snap | 27 September 2018

Eurozone economic sentiment declines for ninth month in a row

The continued decrease in economic sentiment shows that eurozone GDP growth probably won't go beyond the current growth pace of 0.4% quarter-on-quarter this year



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The Economic Sentiment Indicator declined from 111.6 to 110.9 in September, which means that sentiment has dropped in every month of the year so far. In September, service sector sentiment improved while consumer confidence and industrial sentiment took another hit. The continued improvement in the labour market means the service sector has taken the lead in terms of its contribution to growth this year while the manufacturing sector is suffering more from the uncertain global economic environment.

For industry, production expectations continue to fall, although the ESI suggests that industrial output was somewhat stronger than in August. The service sector expects demand to pick up further in the months ahead, but somewhat weaker employment expectations could cause the steady drop in unemployment over recent months to slow somewhat.

ECB President Mario Draghi's statement earlier this week that a "relatively vigorous" pickup in core inflation is expected has created high expectations for the months to come although the comment

was played down a little by Chief Economist Peter Praet. Selling price expectations for service sector businesses dropped in September, while they increased in industry. The latter no doubt on the back of higher input prices given the surge in the oil price. The ESI, therefore, delivers a mixed bag on the inflation outlook, indicating that a sudden pick-up in core inflation may be more than a few months away.

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