

Eurozone economic sentiment drops for ninth month in a row

The decline in the Economic sentiment indicator shows that business confidence continues to suffer and that the start of a growth recovery hasn't really happened so far. Q1 GDP is therefore set to disappoint again



Source: Shutterstock

Sentiment among businesses took a hit in March as both the service sector and industry confidence fell. The decline was faster than in February, indicating the economic slowdown hasn't yet started to reverse.

Recent demand and expectations about future demand in the service sector both weakened, which was also the case for manufacturing where new orders dropped further into negative territory.

The discrepancy with the consumer is significant as consumer confidence has been increasing again over the past few months. Concerns about unemployment have been coming down as the labour market continues to perform well, causing disposable incomes to improve. This should benefit the service sector especially if consumers continue to spend.

With just a few days left in Q1, let's see where we stand on Eurozone growth. The bounce back that was expected for Q4 didn't happen in Q1 either. Growth concerns remain, as one-off negative factors aren't causing swift recoveries so far and big global themes continue to cause uncertainty.

The ECB has been quick to provide support, but the question is how much impact will that have on growth in the coming quarters. Q1 hasn't seen the recovery that was expected, but the possibility that Q2 will finally show some recovery signs still remains alive.

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