

Snap | 27 February 2018

Eurozone economic sentiment drops in February

The Economic Sentiment Indicator rounds out a February for survey indicators that was about as disappointing as the performance of the US in the Winter Olympics. The question is how much it matters for economic growth



Source: Shutterstock

While the ESI dropped from 114.9 to 114.1 in February, the underlying survey questions continue to portray significant economic strength. In services, confidence actually increased as the business situation over the past three months improved markedly. Expectations for future demand also improved. Consumer confidence declined, but mainly because of weaker expectations although the financial situation also worsened. The same holds true for manufacturing, where the decline in sentiment was mainly driven by weaker expectations for future production. Recent production, new orders and exports all saw minimal declines.

The drops in consumer and manufacturing future expectations suggest sensitivity to the recent market turmoil has played a role in the decline in the index. As markets have been recovering somewhat, a bounce back in March seems possible. Just as one swallow doesn't make a summer, one poor month of surveys doesn't make a slowdown. With significant backlogs of work,

production at high levels and businesses indicating improved hiring, the Eurozone economy is set for continued strength in the foreseeable future.

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