

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.

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>.