

Eurozone economic sentiment falls marginally in May

The drop in the Economic Sentiment Indicator from 112.7 to 112.5 shows that even before the Italian turmoil, sentiment wasn't really recovering



Source: Shutterstock

Much like fidget spinners, euphoria about Eurozone growth and politics is definitely was the in thing in 2017. Just a few months ago, the sky was the absolute limit for Eurozone sentiment, but now even stabilisation seems like a good result, as analysts expected worse.

Given that the survey does not account for the Italian turmoil, it's safe to say that moderating growth continues to be the message of 2018. While a few one-offs impacted the disappointing 1Q growth rate of 0.4%, it seems that there is more permanence to the slower growth than initially expected even though Eurozone fundamentals remain strong with labour market strength and a favourable investment environment.

The months ahead are likely to see uncertainty continue as the Italian political crisis could drag on during the summer. As developments towards a new government continue, uncertainty about the Italian stance towards the EU and the euro will prevail. Even though it is very unclear what the next steps will be, markets have clearly woken up from the euro-risk lull that started after the Macron

presidential election victory in France last year.

This continued uncertainty will weigh on Eurozone growth in the months ahead, and a bounce back to growth rates seen in 2017 seems very difficult. We still expect growth to be above trend and stronger than 2%, but growth rates of 0.7% seen in 2017 seem to be off the table.

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 www.ing.com.