

Eurozone economic sentiment slips in July

The Eurozone Economic Sentiment Indicator declined slightly in July, confirming that the current slower pace of growth is the new Eurozone cruising speed



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We don't expect tomorrow's GDP data for Q2 to have improved from the disappointing Q1 and it does not look like Q3 has started on a stronger footing. Economic sentiment decreased slightly in July, adding to the view that the current pace of 0.4% GDP growth QoQ is more or less the cruising speed for 2018. The PMI and ESI sent differing signals about the performance of industry and services. The PMI saw a decline in the services index, while the ESI saw improvements and while the PMI indicated stable manufacturing conditions, the ESI industry indicator dropped. Overall, the picture was less positive from a business perspective for both surveys, while the ESI indicated stable consumer confidence.

While disappointment with current economic conditions seems to be par for the course at the moment, growth concerns seem to be overstating the current situation somewhat. The outlook for domestic demand remains quite bright with continued employment recovery and some improvements in wage growth. The outlook for the external environment remains uncertain

thanks to trade war concerns, although recent developments have been more positive. Even though a trade war has far from been avoided, last week's meeting between US President Trump and European Commission President Juncker at least cleared the air for the moment and could be positive for Eurozone sentiment. The Eurozone economy has shifted into a lower gear for now, but the expansion does not seem to be at risk.

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