

## Eurozone economic sentiment still in a rut

The Eurozone economic sentiment indicator declined from 112.1 to 111.6 as global and local concerns dampen expectations about the second half of the year. A cruising speed of 0.4% GDP growth now looks like the best case scenario



Source: Shutterstock

The Eurozone economy has adopted a modest pace of growth this year and signs of acceleration towards the end of the year are few and far between. A cruising speed of 0.4% GDP growth looks like the best case scenario as global economic and political concerns cause Europeans to be less optimistic by the month.

The decline in business sentiment was broad-based with both industry and services experiencing declining sentiment in August. Even though a truce was reached in the trade dispute between the EU and US, concerns are far from over. Worries about emerging markets and doubts about the shelf-life of the deal between Juncker and President Trump, but also caution surrounding the Italian budget discussions have added to lower confidence. Service sector businesses are especially worried about future demand, while in manufacturing the new orders indicator reached their lowest level in 12 months.

Consumers saw confidence decline sharply in August from -0.5 to -1.9, mainly due to growing concerns about unemployment. However, despite the decline in hiring expectations in manufacturing, service sector employment growth is expected to remain strong. Employment is therefore likely to support growth in the months ahead, but the impact on household consumption will be limited with lower confidence among consumers.

As economic confidence has been subsiding over the course of the year, so have expectations about GDP growth above 2%.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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](http://www.ing.com).