

## Eurozone economy maintains cruising speed of 0.2% in 3Q

The eurozone's economic problems have remained somewhat contained in 3Q, but concerns about further slowdown remain as the industrial slump continues



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The eurozone economy didn't slow further in 3Q, which is already something to be relieved about in the current environment of uncertainty and poor monthly data. Still, taking the 0.2% growth rate together with a sluggish start to 4Q and slightly higher unemployment in September reveals an economy in need of positive news about the trade environment to keep from sliding further.

On a positive note, the fact that the economy hasn't stagnated yet indicates the problems the eurozone faces are still relatively contained. While concerns about spillovers grow larger, the longer the industrial slump continues, the service sector is still growing at a moderate pace. Moreover, Europe's industrial problems seem to be rather centred in Germany for the moment as early country data has confirmed. Upside surprises to French, Spanish and Belgian GDP boosted the overall figure, but do raise concerns about how Germany has performed in 3Q – data to be released in November.

The slightly better than expected 3Q data has not had much of an impact on inflation though.

Headline inflation dropped to 0.7% in October on falling energy prices, but do expect a bounce back over the coming months. Interestingly enough, core inflation came out better-than-expected and ticked up to 1.1%. Take that improvement with caution though as pipeline inflation does not seem to warrant a quick recovery in core inflation for the moment.

The months ahead are likely to remain tricky for the eurozone. Survey data indicates that 4Q is off to a rough start and while recent news about global economic risks like the trade war and Brexit have been promising, downside risks remain for the moment.

If those risks disappear, the question is how quickly this will impact export orders and confidence. That will be key to the growth outlook for 2020 and will determine whether the eurozone can escape unscathed or if the r-word remains in play.

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