

Snap | 30 October 2018

## Eurozone GDP slows to just 0.2% and don't expect it to get much better

Eurozone GDP came in at 0.2% in 3Q, well below expectations. Even though one-off factors will have dampened growth, the coming quarters do not seem set for a swift bounce back



Source: istock

Growth of 0.4% in the second quarter may have felt like a disappointment at the time, but could well have been a last hurrah of the growth cycle. Eurozone GDP growth in 3Q came in at just 0.2% and while one-off factors have influenced the number, it does not seem that growth will return to previous rates anytime soon.

In Germany, disrupted car production will have dampened GDP growth significantly in the third quarter, weighing on the eurozone average. French GDP growth was stronger than in the first half of the year, mainly led by a consumption growth recovery, although the 0.4% increase did miss analysts' expectations.

Perhaps more worrying was the stagnation of growth in Italy, which was the first time in four years that the economy did not post growth over a quarter. With budget discussions already tense between Rome and Brussels, this stagnation will only add to concerns.

The winter months seem to be weaker from a growth perspective. The October PMI suggested that the eurozone economy was off to a considerably weaker start in the fourth quarter than expected and the Economic Sentiment Indicator which was just released confirms that view as it dropped from 110.9 to 109.8. With simmering uncertainty impacting investment, a high oil price curbing consumption growth somewhat and external factors affecting the exports outlook, we expect growth to come in at just 0.3% in 4Q. Not much of a recovery, given the sudden drop in growth in 3Q.

## Author

### Bert Colijn

Chief Economist, Netherlands

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

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