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Already slowing eurozone growth now points to double-dip recession

October economic sentiment reveals an economy already slowing ahead of more significant lockdown measures. Expect the dreaded double-dip for 4Q GDP



French President, Emmanuel Macron, announced new lockdown measures on Wednesday evening

Tomorrow is 3Q GDP day for the eurozone and we're in for a huge growth figure. The reception will be bittersweet at best though, as last night's announced lockdowns in France and Germany all but seal the deal on a negative growth rate for 4Q. October sentiment data shows that the start of the quarter already came in soft.

The Economic Sentiment Indicator was more or less stable in October. It fell slightly from 91.1 to 90.9, which was the first decline since April. It was impacted by the end of the rebound from the first lockdown and the second wave of the coronavirus. Still, the eurozone economy experienced a relatively modest impact from new restrictive measures over the month as recent days have seen the more severe measures introduced. That makes a much larger drop in November likely.

The manufacturing sector continues to be a bright spot. Industry sentiment increased significantly from -11.4 to -9.6 as order books continue to improve. Businesses indicated a significant improvement in the recent production trend, which leads to believe that industrial production could surprise on the upside for the September/October period. As countries have so far shied

away from restricting manufacturing production as part of new lockdown measures, industry could continue to outperform in November as well.

Services confidence decreased moderately in October, from -11.2 to -11.8. The decline reflects the expected impact of new restrictive measures as expectations for future demand decreased sharply. Recent demand was improving slowly when the survey was taken, indicating a slow start to the quarter while businesses brace for what's to come.

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