

Snap | 29 October 2020

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.

Author

Bert Colijn

Chief Economist, Netherlands

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 <http://www.ing.com>.