

Snap | 30 July 2019

Eurozone: no summer relief for the economy

The Economic Sentiment Indicator declined from 103.3 to 102.7 in July. As industry indicates an alarming drop in production, concerns about growth in the second half of the year persist



Source: Shutterstock

Worries about the eurozone economy persist in the third quarter, with economic sentiment continuing to decline in July. While consumer confidence improved, businesses shared a view of deteriorating sentiment across sectors.

For the service sector, this is especially worrying, as it's defied the manufacturing downturn quite successfully up to now. Still, the underlying indicators provide some reason for cautious optimism as the decline was mainly due to a deterioration in expectations of future demand. Recent demand and employment actually improved slightly. That leads us to believe that service sector activity is not yet faltering, although the outlook does provide some cause for concern.

The industrial picture is more troubling. Order books continue to deteriorate, causing businesses to be more pessimistic about future production. This also impacts hiring plans as employment expectations continue to deteriorate. Most worrying, however, is the alarming drop in production observed in recent months, which plummeted in Germany, the Czech Republic and Slovakia in July.

This is in line with very weak PMI results published last week and indicates that things may get worse before they get better.

Eurozone GDP data for 2Q will be released tomorrow and a slowdown from 1Q is widely expected. With alarming July survey data, the question is whether 3Q can come in much better.

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>.