

Snap | 23 November 2018

Eurozone PMI casts doubt on 4Q bounce back

As the eurozone economy continues to show weakness in the fourth quarter, a quick bounce back in growth is unlikely and the recovery could be more spread out. This means that annual growth for 2018 is unlikely to get to 2%



Source: Shutterstock

The PMI is painting a rather bleak picture for end of year growth. The composite PMI dropped to an almost four-year low in November, from 53.1 to 52.4. Growth in new orders remains slow, indicating that the cruising speed of the eurozone economy has weakened. This was mainly because of weakening export orders, which has happened across both industry and services.

The service sector is performing better than industry, underpinned by recent job growth. A worrying factor, therefore, is that businesses are indicating that employment growth is slowing. With new orders weak for a few months already and an outlook clouded with uncertainty, businesses are not taking on as many workers anymore.

Germany saw GDP growth fall to -0.2% in 3Q after a few negative one-off factors brought it into negative territory. There are hopes for a bounce back in 4Q but the German PMI also dropped to an

almost four-year low in November, indicating that a swift recovery may not be in the making and that a recovery could be more spread out. We, therefore, expect GDP growth to come in at just 1.9% for this year.

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>.