

Snap | 21 September 2018

Eurozone PMI declines in September with exports the main culprit

Export orders are stagnating in the eurozone and the coming months will continue to be bumpy as a deal on Brexit seems far away after Salzburg and the global trade conflict continues



Source: Shutterstock

After the pronounced drop in 1Q, the PMI has now seen readings between 54 and 55 for the past five months, which means that the economy seems to be adjusting to a lower cruising speed with the service sector as the main engine for growth on the back of strong a labour market. We expect growth to come in at 0.4% quarter-on-quarter for the coming quarters, but downside risks to our outlook are mounting.

Those downside risks are mainly felt in the manufacturing sector. Eurozone industry continues to struggle with the global trade uncertainties coming from an imminent Brexit and the escalating global trade conflict. The Salzburg summit has shown that the EU and the UK are still far apart, with the EU rejecting the UK's Brexit plans.

While the US-EU dispute has been contained, uncertainty stemming from the global unrest continues to weigh on European manufacturers. Large emerging trade partners are struggling with depreciated currencies, limiting European export potential. Export orders have been taking a hit

according to the PMI, having the biggest impact on larger exporters like Germany.

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 www.ing.com.