

Eurozone sentiment broadly stable in June

After a significant decline in the first quarter, Eurozone economic sentiment stabilised in the second. Threats to growth remain, making a swift bounce back in confidence in the months ahead unlikely



The ESI (Economic Sentiment Indicator) declined slightly from 112.5 to 112.3 in June, with consumer confidence down and sentiment among businesses unchanged. Even though sentiment is now at a lower level than it was at the end of last year, the fundamentals for economic growth remain quite strong. In manufacturing, production and employment expectations improved in June, although export orders have been coming down. The latter is in line with a more uncertain exports outlook. Expectations for production and employment in services have decreased somewhat.

The key question on the Eurozone business cycle is whether the recent streak of disappointing data has been a soft patch or the start of a slowdown. Most evidence still points towards this being a soft patch, but it could be stretched out longer than initially expected. Trade war worries seem to be with us for quite some time to come as the United States is positioning itself for increased tariffs on the European auto industry. Even though the real impact on the economy remains to be seen, it will likely weigh on sentiment in the months ahead. The decline in the German ESI today

supports that view.

What should have been a stellar year for economic growth, could, therefore, become a year of moderation. We still expect GDP growth to come in at 2.1% for the year, which is healthy by European standards, but much like Germany's performance at the World Cup, it was set up to be so much more.

Author

Bert Colijn

Senior Economist, Eurozone

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>.