

## 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.

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