

Eurozone sentiment cooled further in August as recession looms

The Economic Sentiment Indicator fell modestly from 98.9 to 97.6 in August. Both industry and services indicate weakening economic activity. Meanwhile, recession prospects are causing more moderation in selling price expectations for the months ahead



We expect the eurozone economy to enter a shallow recession in the current quarter

A recession is drawing closer as businesses are becoming more pessimistic about economic activity at this point. Recent production for industry and demand for the services industry fell considerably in August and the manufacturing sector indicates rapidly weakening order books. Fewer businesses have been hiring as weaker activity demands fewer workers, although the positive note is that the Employment Expectations index remains above its long-term trend. Nevertheless, we do expect that the economy will enter a shallow recession in the current quarter.

Most notable from the survey is that selling price expectations from both manufacturers and service providers have been falling for four months in a row now. Generally correlated with core inflation, this begs the question of whether peak inflation is indeed drawing closer. The question here is how the next jump in gas and electricity prices will put pressure on margins, which could lead to more pressure on core inflation in the months ahead. But the rapidly slowing economy is clearly cooling inflation prospects as well.

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>.