

Snap | 29 November 2018

Eurozone sentiment falls for the 11th month in a row

Even though the fall was milder than expected, economic sentiment dropped again in November. While the slight uptick in industry sentiment was a silver lining, the view for Q4 GDP remains modest at best



Shoppers in Lubeck, Germany

109.5

Eurozone Economic Sentiment Indicator

Down from 109.7 in October

The Economic Sentiment Indicator for the Eurozone dropped from 109.7 to 109.5. This was a smaller decline than analysts had expected, as industrial sentiment improved for the first time since April. Service sector sentiment stabilised in November, after a large drop in October. The reason for the decline was mainly due to consumer confidence falling since March 2017, which was largely driven by worsening expectations of unemployment in the coming year and subsequently a deterioration in household finances.

Contrary to the PMI released last week, industrial sentiment painted a slightly brighter picture of the manufacturing environment than in October. Confidence increased as expectations of production in the months ahead improved and production in recent months was also more positively assessed by manufacturers. On the other hand, similar to the PMI data, the concerning drop in the export orders' indicator and the very modest pickup in total new orders after a large decline in October indicate there remains enough to worry about for Eurozone industry in the winter months.

Survey indicators have been unanimous in November. The economy is not showing much of a pickup from the weak third quarter. A bounce back seemed in the making as growth was hindered by one-off factors like hiccups in German car production, but it looks like the recovery from recent weakness will be spread out over a few quarters. Growth expectations are therefore modest for Q4 and the coming quarters, as we expect GDP growth for Q4 coming in at just 0.3% QoQ and annual growth for 2018 at 1.9%.

Author

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

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