

Snap | 27 June 2019

Eurozone sentiment weakens significantly in June

The marked drop in sentiment from 105.2 to 103.3 in June rounds out a weak quarter for the eurozone economy and can be seen as further justification for ECB action in July



Source: Shutterstock

While eurozone PMIs have displayed improving growth in services and further weakening in manufacturing, this isn't the case for the Economic Sentiment Indicator (ESI)

Declines across the board indicate that June was another month of weak growth, adding to expectations of a weak quarter in terms of GDP growth. Concerns about the manufacturing sector continue to intensify as trade conflicts are likely to drag on for some time. The export order book indicator deteriorated further, confirming global concerns as a major factor in the slowdown. Service sector sentiment declined as well as demand had been weaker than expected over past months. Confidence for the months ahead remains at high levels.

With about a month to go before the July ECB meeting, evidence of weak growth environment keeps mounting. It's not just a weak growth picture that the ESI paints today which is concerning for the ECB, but take a look at selling price expectations, which have

dropped significantly for manufacturing and remained stable in the service sector.

This adds to the bleak outlook for price growth in the coming months and without significant improvements in data in the coming month, the ECB stands ready to act.

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.