

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.

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