

## Big improvement in Eurozone services sentiment

The Eurozone's Economic Sentiment Indicator increased to 101.5 from 101.2 in December as divergence between manufacturing and services increases



France's La Defense business district

The service sector is the only game in town for Eurozone growth at the moment. That's been the case for most of 2019 and December proved to be no exception. As weakness in industry continues and according to some measures is even worsening, expectations of negative spillovers to the service sector remain economists' top concern, but so far that hasn't happened. This is quite remarkable given the duration of the decline in industrial production that already started in December 2018.

The increase in services confidence was broad-based as both the assessment of recent demand and expectations for the months ahead improved significantly. Interestingly, the optimism of the service sector – mostly dependent on domestic demand – was not shared by consumers, as consumer confidence declined from -7.2 to -8.1.

Industrial confidence declined from -9.1 to -9.3, as the divergence between industry and services increased again. Order books and the assessment of recent production decreased again, indicating that the year ended with industry in recession. As expectations for the months ahead crept up,

some return of industrial confidence seems to be on the cards, perhaps fueled by US-China trade developments and the passing of the US car tariff deadline without implementation. This warrants some cautious optimism about the state of Eurozone industry at the start of 2020, although weakness is far from over.

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