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Eurozone growth: Some hopeful signs

■ After last week's poor flash PMIs, data published this week show a mixed picture ■ The European Commission's Economic Sentiment Index continues to decline in a large number of countries and for the eurozone as a whole as well ■ IFO data for Germany show an improvement in the overall climate though manufacturing continues to go down. INSEE data for France show a stabilisation or even some modest improvement ■ All in all there are some hopeful signs but it would be premature to conclude that the growth slowdown is about to end. April data will be particularly important.

After the cold shower of last week's flash purchasing managers' indices, this week's flood of data releases in the eurozone for the month of March was eagerly awaited. When news has been disappointing for months in a row, impatience for some hopeful signs grows disproportionately: it's a matter of concluding that the (long) soft patch is over or that time has come to throw in the towel.

Based on the IFO surveys this week, the picture in Germany remains very mixed. The overall business climate improved after six successive declines, although the situation in manufacturing weakened further. Companies felt again more uncertain. Export expectations weakened considerably albeit with considerable differences between sectors (weakness in the automobile and metals industries, an upbeat picture in the chemicals and electrical industries). Another indicator published this week, the IFO employment barometer, showed deterioration in manufacturing whereas services continue to recruit. In France on the other hand, things are stabilising or even improving slightly. That is the message from the latest INSEE data: the business climate in general and the labour market environment showed some improvement. The services and the construction sector were stable and manufacturing was virtually stable. Consumer sentiment has picked up. All in all, this paints a picture of a stabilisation of the environment in France, something which was confirmed by the European Commission's Economic Sentiment Index (ESI), a weighted average of confidence in industry (40%), services (30%), retail trade (5%), the construction sector (5%) and confidence of consumers (20%). The French ESI has essentially been moving sideways since last December whereas Belgium and, this month, Spain have seen some improvement. Data for several other countries continue to weaken (Germany, Italy, Austria, Portugal, Finland) and this also applies for the eurozone as a whole.

The fact that the slowdown is broad-based is also illustrated by the fact that since the start of the year, about 80% of eurozone countries have seen a decline in sentiment in manufacturing and close to 70% in services. Consumer confidence and the sentiment in retail trade and construction are more resilient with respectively 58%, 63% and 53% of countries seeing a weakening. A broad-based slowdown makes it more likely that it becomes self-reinforcing because of spillovers between countries and sectors. It looks as if the April data will be even more eagerly awaited than those for March.

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ECONOMIC SENTIMENT INDEX (CHANGE IN % SINCE DECEMBER 2017)

	Eurozone	Belgium	Germany	Spain	France	Italy	Netherlands	Austria	Portugal	Finland
September	-3.6%	0.7%	-2.2%	-3.9%	-7.7%	-3.7%	-2.3%	-5.3%	-2.1%	-3.6%
October	-4.2%	-2.1%	-3.1%	-2.3%	-8.9%	-4.4%	-3.6%	-5.4%	-3.5%	-7.8%
November	-4.4%	-2.3%	-2.8%	-2.3%	-8.2%	-5.5%	-3.8%	-7.4%	-2.7%	-8.4%
December	-6.2%	-5.3%	-4.6%	-5.1%	-10.9%	-6.3%	-3.8%	-9.4%	-2.0%	-10.7%
January	-7.2%	-6.7%	-5.3%	-5.0%	-10.1%	-7.5%	-7.5%	-11.3%	-2.4%	-10.2%
February	-7.2%	-4.8%	-5.4%	-5.0%	-10.6%	-8.9%	-4.8%	-11.0%	-3.3%	-11.1%
March	-7.9%	-4.8%	-7.0%	-2.9%	-10.5%	-9.1%	-6.0%	-12.3%	-5.5%	-12.7%

Source: European Commission, BNP Paribas

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