



**BERENBERG**

PARTNERSHIP SINCE 1590

## MACRO NEWS

Carsten Hesse, Economist | Carsten.hesse@berenberg.com | +44 20 3753 3001

### EUROZONE DEFIES STRONG EURO AS SENTIMENT RISES TO 10-YEAR HIGH

#### Berenberg Macro Flash

Eurozone economic sentiment (ESI), August

	Economic sentiment	Consumer confidence
<b>Actual:</b>	<b>111.9</b>	<b>-1.5</b>
Previous:	111.3	-1.5 (flash)
Consensus:	111.3	-1.5
Berenberg:	111.3	-1.5

**Sentiment at a decade high:** The Eurozone economy seem to be still gaining momentum despite a stronger euro according to the latest ESI reading (111.9 in August vs. 111.3 in July). Although summer data can be a bit volatile, the last three months' average stands at 111.4, the highest level since 2007. This indicates some upside risk to our call that GDP growth will slow down slightly from a strong second quarter.

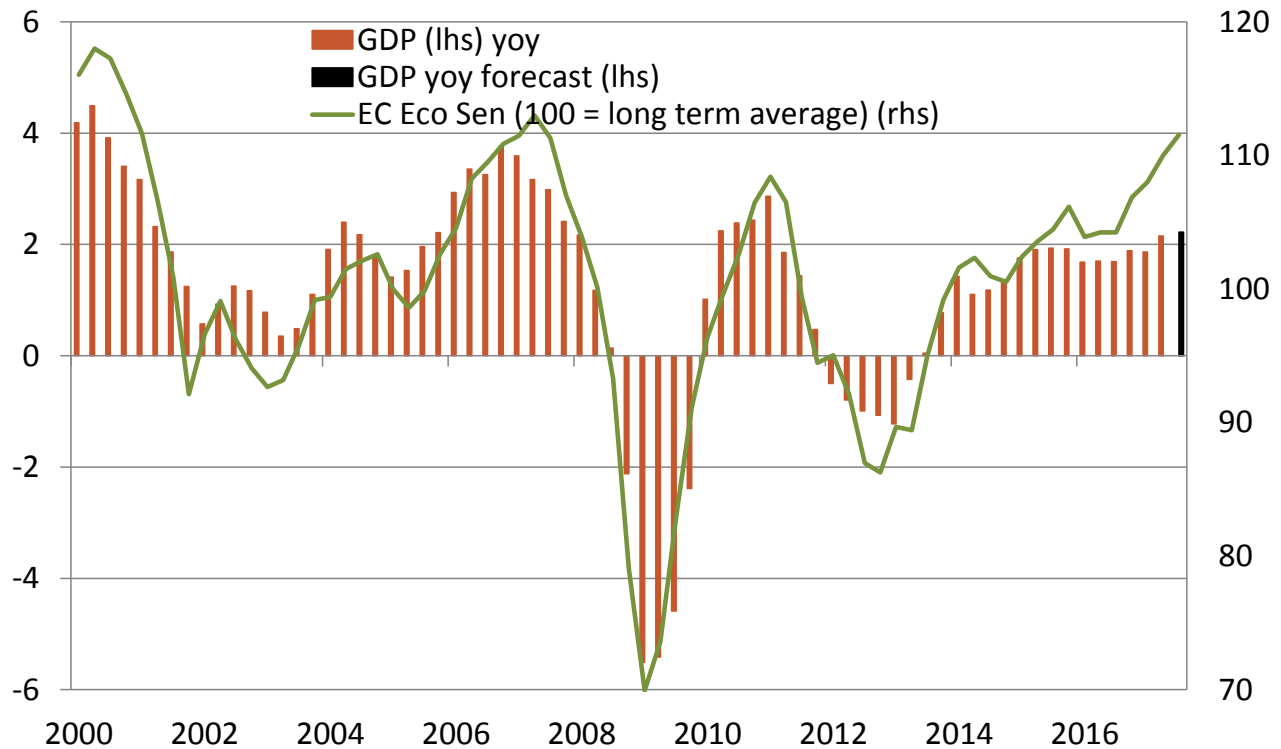
**Impressive jump in Southern Europe and France:** In both **Italy** and **Spain**, the ESI jumped to the highest level since 2016. This bodes well for continued robust growth in Spain and a firming recovery in Italy. In Italy the ESI rose by 3.6 points to 109.1, while in Spain the ESI increased by a more modest 1.4 points to 109.3. In **France** the ESI reached a 6 year high (+1.7) amid high expectations that President Emmanuel Macron will deliver some serious structural reforms. Even crisis-ridden **Greece** seems to see some light at the end of the tunnel as the ESI is slowly approaching the long-term average level of 100 (+0.8 to 99.0). On a negative note, the ESI declined slightly in **Germany** (-0.6 to a still stellar 111.9) and mores significantly in the Brexit-afflicted **UK** (-3.6 to 109.6) as well as in **Austria** (-5.1 to 110.1). Even in these countries, the level of the ESI remains high.

**Industrial and services sectors driving the Eurozone economy:** Confidence in the Eurozone's industrial sector continues to rise despite the euro (based on yesterday's price) gaining around 5.5% on a trade weighted basis vs. the 2Q average and around 10% vs. the USD. While export orders fell back slightly from a very high level, the domestic order book seems to be robust. The industrial confidence indicator rose to 5.1 from 4.6, which is close to the all-time high reached in 2007 (7.7) Furthermore, the services sector, by far the largest part of the economy, continues to firm. The services indicator increased to 14.9 in August from 14.2 in July, a multi-year high. In line with services, consumer confidence increased slightly while retail and construction confidence suffered a bit, potentially due to the heat wave across most of Southern Europe and the rains in Northern Europe in August.



## MACRO NEWS

Economic sentiment (quarterly average) vs. GDP yoy growth (in %)



For Q3 2017 economic sentiment, we take the average of July and August. Sources: European Commission, Eurostat.

Eurozone economic sentiment, by sector

	AUG	JUL	JUN	MAY	APR	MAR
Economic sentiment	111.9	111.3	111.1	109.3	109.7	108.0
Industry	5.1	4.5	4.5	2.8	2.6	1.3
Services	14.9	14.2	13.3	12.8	14.2	12.8
Consumer	-1.5	-1.7	-1.3	-3.3	-3.6	-5.1
Retail	1.6	3.9	4.4	2.0	3.1	1.8
Construction	-3.3	-1.8	-3.5	-6.0	-9.9	-10.1

Eurozone economic sentiment, by country

	AUG	JUL	JUN	MAY	APR	MAR
Germany	111.9	112.5	111.9	109.5	111.0	109.2
France	110.6	108.9	109.5	107.6	106.2	105.1
Italy	109.1	105.5	106.1	106.1	107.0	105.6
Spain	109.3	107.9	108.9	108.4	107.9	106.9



**BERENBERG**

PARTNERSHIP SINCE 1590

## MACRO NEWS

This message has been produced for information purposes for institutional investors or market professionals, it is not a financial analysis within the meaning of § 34b or § 31 of the German Securities Trading Act (Wertpapierhandelsgesetz), no investment advice or recommendation to buy financial instruments. The message does not claim completeness regarding the information on the developments referred to in it. On no account should it be regarded as a substitute for the recipient's procuring information for himself or exercising his own judgements. The message may include certain descriptions, statements, estimates, and conclusions underlining potential development based on assumptions, which may turn out to be incorrect. Berenberg and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this message or any part of its content. -- For full economics reports please visit our website or contact [capitalmarkets@berenberg.de](mailto:capitalmarkets@berenberg.de).

Joh. Berenberg, Gossler & Co.  
KG  
60 Threadneedle Street  
London EC2R 8HP  
Phone +44 20 3753 3001  
[www.berenberg.com](http://www.berenberg.com)  
[carsten.hesse@berenberg.com](mailto:carsten.hesse@berenberg.com)