

## Flash

## Europe

## Confidence data: a bitter sweetener for Eurozone

ESI confidence indicators from the European Commission for October were neutral, with overall sentiment broadly unchanged, in contrast to pessimistic Flash PMI figures published earlier this week. Our revised MICA GDP indicator for the last quarter of the year foresees stagnation in the Eurozone, rather than recession.

- **Eurozone - Economic sentiment indicator (ESI) remained largely unchanged in October**, falling only by -0.2 points to reach the level of 94.8, reflecting mixed results within sectors, with consumers and manufacturers losing confidence, while services and construction confidence showed signs of improvement. ESI results contrast with the much more negative indications coming from the Flash PMI survey released earlier this month.
- **Greece is the country with the gloomiest outlook**, with confidence reaching levels not seen since the peak of the financial crisis, whereas **Portugal, Italy and France are seeing signs of improvement, with Portugal taking the lead**. Bad news and a warning came from the strongest euro area economy, **Germany**, as **its sentiment weakened more than Eurozone as a whole**, falling by 0.8 points. Nevertheless, Germany's level is the only one clearly above the historical average and still in an expanding territory.
- Taking into account the EC confidence survey results, as well as euro area data released on money supply and loans to private sector previously today, **our updated MICA model continues to point towards a slowdown for the third quarter, whereas activity during the course of the fourth quarter is now seen stagnating**, better than the previous result of an anticipated recession.

Table 1

## ESI Indicator –October 2011

## European Commission Economic Sentiment Indicator: Eurozone

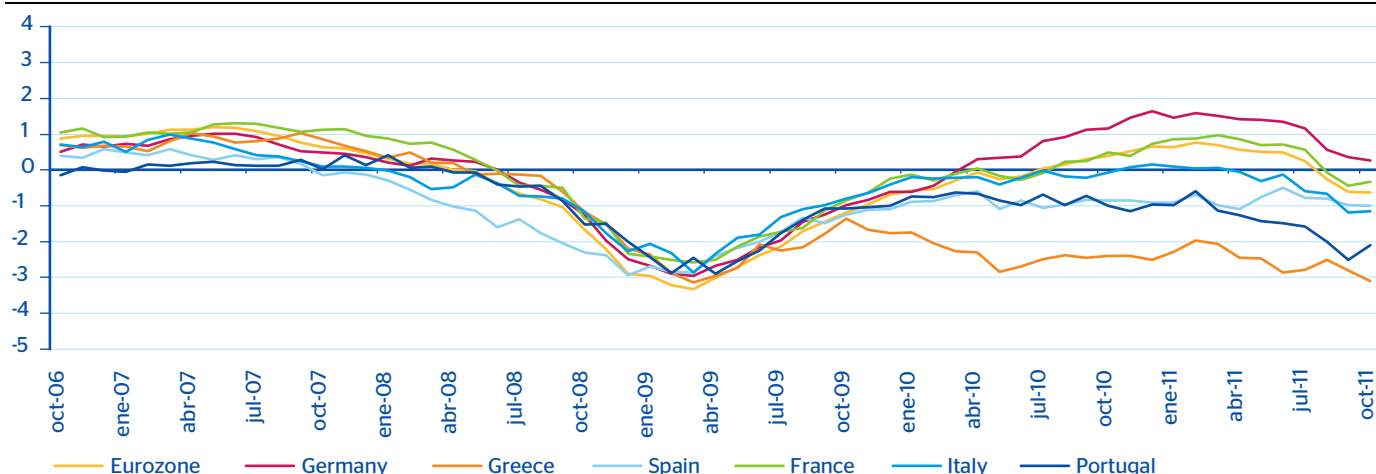
	Jul-11	Aug-11	Sep-11	Oct-11	Curr. Var.	Mean	St. Dev.	Max	Min
Industry	0.9	-2.9	-5.9	-6.6	-0.7	-5.9	9.5	7.8	-38.2
Service	7.9	3.7	0.0	0.2	0.2	11.7	13.7	35.8	-27.2
Consumer	-11.2	-16.5	-19.1	-19.9	-0.8	-12.0	7.1	2.6	-34.2
Retail	-3.6	-8.7	-9.8	-9.8	0.0	-8.3	6.8	5.2	-24.8
Construction	-24.3	-23.3	-26.6	-25.3	1.3	-19.0	13.1	5.2	-48.8
ESI	103.0	98.4	95.0	94.8	-0.2	100.7	9.5	117.6	69.6

## European Commission Economic Sentiment Indicator

	Jul-11	Aug-11	Sep-11	Oct-11	Curr. Var.	Mean	Max	Min
Eurozone	103.0	98.4	95.0	94.8	-0.2	100.5	117.6	9.4
Germany	112.7	107.0	104.9	104.1	-0.8	101.2	120.0	9.6
France	105.9	99.7	96.0	97.2	1.2	100.2	117.2	9.8
Italy	94.8	94.1	89.0	89.3	0.3	100.8	120.6	9.8
Spain	93.0	92.7	90.9	90.8	-0.1	100.7	115.0	9.6
Portugal	83.7	78.7	73.2	77.7	4.5	101.9	126.2	11.2
Greece	70.9	73.7	70.6	67.5	-3.1	100.7	120.3	10.4

Source: European Commission & BBVA Research

Chart 1

**ESI Indicator (normalized) Countries – M10.2006 – M10.2011**

Source: European Commission

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