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Western European Indicators and Insights

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# EUROZONE: Confidence little changed.

**All but Germany contracting still?**

EU Commission business and consumer survey figures for March provided subdued messages, with a clear contraction still being flagged in all Eurozone countries bar Germany. Even so, the 0.1 point M/M drop to 94.4 in the overall economic sentiment index (ESI), which aggregates the sector surveys detailed below and is designed to track GDP growth, still leaves the recovery from the December trough largely intact.

As with the February reading, this ESI reading reflected improved developments in regard to retail, consumer and services sentiment (albeit with the financial side of the latter largely unchanged). As for the consumer, it is notable that the willingness to make major purchases recovered, while inflation expectations slipped back further.

However, the notable development was the fall back in industrial sentiment, the latter hit by weaker (domestic) orders. Regardless, the latest overall figure (by remaining so clearly below the 100-mark) still implies that Eurozone economic activity is very probably contracting. Even so, they echo the tone of other alternatively-sourced survey numbers such as the PMIs, suggesting that while recession has almost certainly returned to the Eurozone, no further major erosion has occurred of late (NB the ESI hit a low of less than 70 in the bottom of the 2008-09 slump).

What is unclear is whether the drop in overall sentiment is merely noise in what is still a gradual recovery or the start of a fresh weakening.