



July 30, 2012

Andrew Wroblewski

Chief Economist, Eurozone and UK

London

+44 20 7959 3244

awroblewski@decisioneconomicsinc.com

Eurozone: Germany Contracting Too?

EU Commission business and consumer survey figures for July once again provided more sobering messages, with a clearer contraction being flagged in all Eurozone countries, now including Germany, as the latter suffered a further and decisive softening in activity. Indeed, the overall economic sentiment index (ESI), which aggregates the sector surveys detailed below and is designed to track GDP growth, dropped exactly two points to 87.9, thereby continuing the slide seen in recent month with the headline index the lowest in almost three years.

Broad-Based Weakness

Notably, this softer ESI reading reflected broad-based declines in all sectors, with the main hit this month coming from the industrial side. *Notably, a fresh slide in consumer confidence was corroborated, with the willingness to make major purchases turning more negative possibly inter-related to a small pick-up in inflation expectations.*

No End in Sight!

Regardless, the latest overall figure (by moving further below the 100-mark) implies that Eurozone economic activity is contracting more clearly and broadly. *As a result, they echo the tone of other alternatively-sourced survey numbers such as the PMIs, suggesting that a contraction in GDP across the whole Eurozone is now likely to stretch into the current quarter and with no end in sight!*