

# Eurozone

## Eurozone confidence hits two-year low in November

- **Eurozone confidence index lowest since late-2009**
- **Consumers and businesses grow gloomier**
- **Data add to evidence that region is in recession and worse could be seen in early-2012**

Business and consumer confidence fell in November, according to the European Commission's surveys, putting optimism at its lowest since November 2009. Confidence among both business and consumers has fallen substantially since the summer as the region's debt crisis has escalated.

Consumer sentiment was the lowest since August 2009, still well above the lows seen at the height of the 2008-9 financial crisis but nevertheless suggesting that consumer spending is coming under increasing pressure. Austerity measures are sapping domestic demand in many countries and economic uncertainty and job fears are mounting across the region.

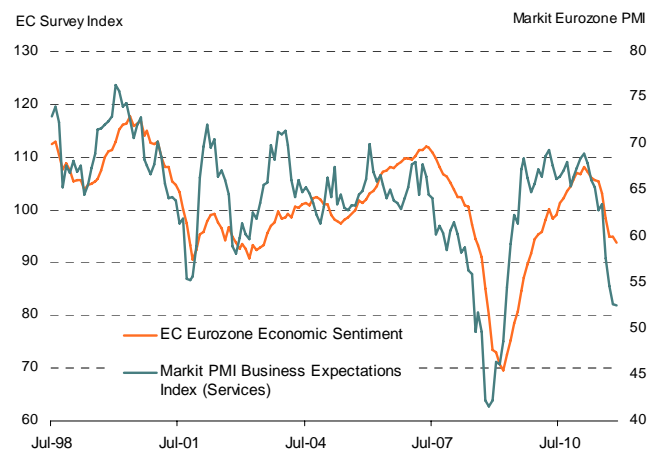
Business confidence also deteriorated, though was somewhat mixed according to sector. Manufacturers and service companies grew gloomier, the most downbeat since April and January of last year respectively. However, their levels of pessimism were less severe than seen in construction and financial services. The construction industry remained particularly downbeat, with confidence up from the lows seen at the height of the financial crisis but consistent with a sector that is clearly struggling. Confidence improved in financial services, but the rise failed to make up for a steep drop in October and left the level of pessimism the highest since early 2009.

The data add to the growing gloom about the euro area's growth trajectory. Markit's PMI survey data are already signalling that the region may have already returned to recession, with GDP falling at a rate of approximately 0.5% in the final quarter. Worse may be to come in the new year. The forward-looking business

expectation index from the PMI survey suggests that the European Commission survey may continue to worsen in coming months as deteriorating growth in the real economy feeds through to job losses and lower consumer confidence.

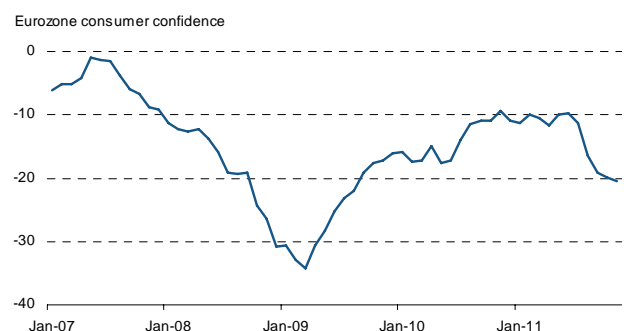
This of course is bad news for the Eurozone, but also for the wider global economy. A Eurozone recession adds to the risk that countries such as the UK will also be dragged into a recession and that growth will weaken further in markets such as China.

### Eurozone surveys



Sources: European Commission, Markit.

### Consumer confidence



Source: European Commission, Markit.

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