

Global storms darken mood in eurozone

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Sharp falls in business confidence were reported across continental Europe yesterday as global economic storms drove the eurozone towards recession, adding pressure on the European Central Bank to consider interest rate cuts.

Germany, France and Italy reported the business mood had darkened markedly this month, with Germany's Ifo institute reporting that industry's expectations for the next six months were the most pessimistic since early 1993.

With business confidence surveys seen as a good guide to trends in activity, the deterioration provided fresh evidence that eurozone economic data for the last three months will show a second quarterly contraction - a technical recession.

Confidence had been knocked by the global slowdown, which was hitting eurozone exports, analysts said. But direct effects on the real economy of the recent financial market turmoil could add to the pressure. Lower oil prices had brought little relief.

Gilles Moec, European economist at Bank of America, argued the gloomy outlook meant policy hawks at the ECB were "running out of arguments to resist calls for [interest] rate cuts". With the global slowdown spreading into Asia, ECB policymakers' comments have appeared more cautious recently about the eurozone growth outlook.

But Mr Moec expected the central bank would change its tough rhetoric only "cautiously and gradually".

As recently as July the ECB raised its main interest rate by a quarter percentage point to 4.25 per cent to head-off inflationary pressures. That move now appeared a mistake, argued Marco Annunziata, chief economist at Unicredit. "It tightened monetary conditions for an economy which we can now see was already entering recession."

Germany's Munich-based Ifo institute said its business climate index fell for a fourth consecutive month, from 94.8 in August to 92.9 in September - the lowest since May 2005. The component of the index that covers expectations for the next six months dropped to the lowest level since February 1993.

Hans-Werner Sinn, Ifo's president, said manufacturers had become "more reserved" about export opportunities. "Very few firms still plan to hire additional staff," he added.

Meanwhile, France's Insee statistical office reported French business confidence had fallen this month to the lowest since July 2003, with export orders particularly worrying. Italian business confidence was at a seven-year low, according to ISAE, the research organisation.

Fonte: Financial Times, London, September 25 2008, Primeiro Caderno, p. 6.