

## Eurozone economic optimism confirmed as unemployment drops further in April

The economy seems to have recovered further in the second quarter, with unemployment falling. We expect continued economic growth but expect employment gains to be limited as productivity is set to recover



Source: Shutterstock

### Economic sentiment improved in May

The eurozone economy is showing more signs of picking up as the manufacturing sector seems to be bottoming out while the service sector motors ahead. As always around turning points, the data is still somewhat ambiguous, but today's economic sentiment indicator adds to expectations of continued modest growth in the second quarter of 2024. This would mark a clear break from 2023 when the economy broadly stagnated.

The economic sentiment indicator increased from 95.6 to 96 in May, with improvements in sentiment for both industry and services. Recent production trends in manufacturing improved and recent demand for services was also better than reported in April. Importantly, selling price expectations in services continued to trend down, indicating that domestic inflation is set to moderate further.

## Unemployment rate falls further to 6.4%

Unemployment was already sitting near historic lows during the period of stagnation. In April, unemployment dropped from 6.5 to 6.4%, once again reaching the lowest point since the eurozone was founded in 1999. The strong job market is helping the economic recovery as it keeps wage growth elevated, and has allowed purchasing power to recover after the inflation spike.

The question is whether the economic pickup will result in lower unemployment from here. We doubt it. Expectations for employment for both services and industry have actually trended down despite better economic prospects and we expect that the modest economic recovery will largely result in productivity gains.

### Author

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).