

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



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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.

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