

Eurozone PMI drops in February

The composite PMI fell from 58.8 to 57.5 as growth in new orders eases. As backlogs of work continue to increase, any negative impact on GDP is likely to come much later



Source: Shutterstock

The first confidence indicators after the market turmoil show some declines, with falling consumer confidence and a sharp drop in the PMI. Looking back at the market volatility of early 2016 triggered by dropping oil prices and concerns about China, we saw that Eurozone confidence indicators were affected as well, but that the economic impact was negligible in the end. As the PMI indicates that the business outlook for the coming months has actually improved, it seems that the return of volatile markets has not had much effect on business confidence so far. Despite slowing growth in new orders, the economic outlook remains strong for the current and coming quarter.

When looking at underlying indicators, the story of the past months remains unchanged. Businesses continue to struggle with capacity constraints as new orders have come in at a surprisingly fast pace. Even though the pace of growth in new orders has fallen somewhat, hiring is still near record highs. This makes for a bright outlook for the Eurozone economy in the months ahead as consumption and investment are set to gain in this environment of expanding capacity. With slowing growth in new orders, but increased backlogs of work, the negative impact on the Eurozone economy could come much later.

Author

Bert Colijn

Chief Economist, Netherlands

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 <http://www.ing.com>.