

## Eurozone PMI: early signs of an economy pulling through

Evidence of a decent February for the Eurozone is mounting as the PMI increases from 51 to 51.4. In an economy close to stagnation, this is a welcome sign and suggests continued, albeit slow growth in the first quarter



Car assembly plant,  
Italy

The consumer confidence and the ZEW Index were already better than expected, and now the PMI increased in February. This does not mean that growth worries are over as the manufacturing output index dropped to below 50, signalling contraction for Eurozone industry for the first time in almost six years. New orders for manufacturing decreased even faster than in January. The contrast with the service sector that saw the activity index increase from 51.2 to 52.3 could hardly be larger. Service sector businesses increased the pace of hiring in February and became significantly more optimistic about the outlook.

The German manufacturing sector continues to be a cause of concern for the Eurozone economy with orders from the auto sector coming in weak and orders from China still disappointing. While some rebound in production from previous disruptions are to be expected, current weakness does stress vulnerability to the significant downside risks that the Eurozone faces. On the other hand, the jump in the French PMI to 49.9 is cause for modest optimism as the disruptive impact of the

yellow vest protests on the business economy seems to be fading.

For the ECB, which has been looking for clues about whether the slowdown was temporary or could be more severe, this week's data will add to a more optimistic view. Still, with downside risks abound and a manufacturing sector treading water even without Brexit or new tariffs causing further disruption, the ECB is still more likely to avoid further tightening for the moment than to turn more hawkish.

## 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).