

Snap | 23 April 2018

Eurozone PMI halts decline in April

The PMI was unchanged at 55.2 in April. This result was better than expected, but still points to slowing growth in Q2



After dropping in February and March, the decline in the PMI has been halted in April. The stagnation surprised analysts on the upside, but this does not mean that the euphoric view of the economy of 2017 should be making a swift return. Yes, the PMI is still indicating solid growth for the second quarter, we expect 0.5% quarter-on-quarter GDP growth, but it is also providing further evidence that the stellar quarterly growth rates of 2017 are unlikely to be replicated this year.

The PMI indicated further slowing of growth in new orders. The effects of the stronger euro are playing an important role here as new orders from outside the Eurozone slowed as well. Employment growth continued at a fast pace, indicating that the outlook for domestic demand remains positive. Even though labour market pressures continue to be significant, inflation is not set to accelerate according to the survey. Price pressures moderated again in April, as lower growth in input prices was reported despite the elevated oil price.

ECB President Mario Draghi recently voiced concerns about the spillovers of a possible trade war to Eurozone confidence. The April PMI and consumer confidence read of last Friday are both evidence that the impact has been limited so far and that growth continues at a healthy pace. Further acceleration of GDP growth seems off the table though and indications of slowing inflation will make the hawks turn out in small numbers this Thursday at the ECB monetary policy meeting.

Author

Bert Colijn

Senior Economist, Eurozone

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>.