

Snap | 23 May 2019

## Eurozone PMI shows growth concerns haven't yet abated

The PMI increased from 51.5 to 51.6 in May, but concerns about manufacturing persist. The service sector continues to keep the economy afloat but at a slightly slower pace



Source: Shutterstock

Q1 surprised on the upside, in part thanks to the reversal of one-off factors that dampened growth at the end of last year. Hard data was better than what the survey indicators led us to believe, but with continued weakness in surveys, growth concerns have yet to dissipate. Today's PMI provides relief that the service sector is still going strong in May, but alarm bells continue to sound for the eurozone industry. While the PMI for manufacturing output ticked up from 48 to 49, it's still indicating a contraction.

New orders continued to decline consecutively for the eighth month in a row now, mainly thanks to weak export orders. Expectations for the coming year weakened to the lowest reading since 2014. As the trade conflict between China and the US flares up again, global growth concerns are back on the agenda. On the other hand, postponing car tariffs will provide at least temporary relief to the eurozone industry.

With a lot of the one-off factors plaguing the eurozone having already reversed, this data on industry is concerning. If indeed manufacturing production continues to decline for a prolonged period, this will worsen the outlook for the service sector.

Without the hard data for Q2, it's difficult to come to strong conclusions on the growth rate of the quarter so far though. For the ECB though, today's PMI will confirm a slow-growth environment in which inflation is unlikely to accelerate anytime soon.

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