

Snap | 23 September 2024

Eurozone business activity is now contracting, according to PMIs

As the Olympic flame was extinguished, so was eurozone optimism. The August uptick in the PMI was met by a sharp decline in September. The PMI now stands at 48.9, which indicates contraction according to the survey. This further fuels growth concerns in the bloc as inflation worries fade



The Olympic flame is gone and so have hopes of a European growth recovery

Last month saw an uptick in services PMI, which was mainly due to French optimism related to the Olympics. But now that those Games are over, service sector sentiment has resumed its downward trend. The services PMI dropped to 50.5 in September, indicating broad stagnation in activity. Manufacturing output also fell, from 45.8 to 44.5. An all-round bad end to the quarter which, to us, means that GDP growth has likely weakened from its already modest 0.3% quarter-on-quarter pace.

The inflation outlook looks markedly better as the PMI indicates rapidly slowing input cost inflation for businesses. This is the case for both services and goods, despite still high wage growth and transportation costs. In turn, the lower cost growth results in slowing selling price inflation.

With the release of the [Draghi report](#), concern about weak eurozone activity has increased. While

Draghi's concerns are structural, the cyclical state of the eurozone economy perfectly illustrates why Europe needs a boost in growth. After the stagnation that followed the energy price shock, the eurozone economy is now barely experiencing any recovery. With inflation now close to the ECB target of 2% again, the main concern is shifting from inflation to growth.

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>.