

## Eurozone PMI posts surprise jump in March

The eurozone composite PMI jumped from 52 to 54.1 in March, mainly driven by services as manufacturing stagnated. Price pressures continue to fall but remain elevated, especially in services which will concern the European Central Bank



The jump in PMI was mainly driven by the service sector

It's hard to get a good sense of where the eurozone economy is headed these days. Underlying developments in the fourth quarter were particularly weak, but surveys have recently suggested that the first quarter of this year is already showing some improvements. Today's PMI perfectly fits that view as the jump from 52 to 54.1 suggests a fairly strong rebound in activity. Then again, hard data on industrial production and retail sales have not given a particularly strong view one way or another. Still, the first quarter is starting to look better than initially expected.

The positive impact was mainly driven by the service sector as the services PMI improved from 52.7 to 55.6. Growth was rather broad-based between business-to-business and consumer services, according to the survey. New orders are causing backlogs of work to increase in services, but in manufacturing we see the exact opposite. Manufacturing output PMI decreased from 50.1 to 49.9 and new orders continue to weaken. A key positive factor for manufacturing is that supply chain problems continue to fall sharply, which is helping production eat into backlogs at the moment.

The impact of the recent banking turmoil on the eurozone economy is not yet clear to see, but if problems remain contained we still expect a mild downward effect on economic activity for the coming quarters. That adds to a picture of weak economic growth for the quarters ahead as high inflation and monetary tightening weigh on economic prospects.

Overall, the inflation picture continues to improve. Price pressures are down for both manufacturing and services, but still at elevated levels. The latter is especially true for services, and the strong service sector performance adds to concerns about elevated services inflation for the months ahead. While forward-looking signs for energy, food and goods inflation are becoming more benign, this is not yet the case for services. For the ECB, this will be a key argument to continue hiking – albeit at a slower pace – at the coming two meetings. If financial conditions allow, that is.

## 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).