

Snap | 23 April 2025

Eurozone PMI drops in April (but less than feared)

It's the first important sentiment indicator released in the eurozone since Donald Trump's 'Liberation Day'. Judging from the headline number, the damage so far looks limited, even though there are some striking discrepancies



Eurozone businesses are seemingly still digesting the full implications of Donald Trump's 'Liberation Day', and the last few weeks of tariff announcements and reversals.

At first glance, it looks like trade tensions fully wiped out the tentative return of optimism in the eurozone. At second glance, however, the picture that today's PMIs are painting is more complicated.

Headline PMIs follow intuition, sectoral PMIs don't

The April PMI just came in at 50.1, from 50.9 in March, the lowest level in four months. Interestingly, however, this drop was not so much the result of a weaker manufacturing sector and the last three weeks of tariff extravaganza, but rather of weaker services activity. The manufacturing PMI even increased somewhat to 48.7, from 48.6 in March, while the services PMI

dropped to 49.7, from 51.0 in March. Forward-looking components, however, point to a further weakening of economic activity.

To make the picture even more confusing, the composite PMIs for France and Germany weakened in April, with both countries now below the 50-threshold and on course for yet another quarter of contraction. Here, weaker sentiment was not only driven by manufacturing but also by services.

Price pressures eased further in April, giving the ECB retrospective justification for last week's rate cut. In fact, with low price pressures and weakening economic activity, more ECB rate cuts will follow.

ECB will again have to do the heavy lifting

All in all, the April PMIs did not bring the anticipated reaction after three weeks of tariff tensions and uncertainty. In fact, not all puzzle pieces match. While the broader weakening in sentiment in France and Germany is in line with expectations, the fact that the eurozone as a whole saw sentiment in the manufacturing sector even slightly improving is somewhat odd.

As so often is the case, it looks as if traditional survey-based data is reacting with some delay to big events. We wouldn't be surprised to see a more significant drop in manufacturing PMIs next month. In any case, previous eurozone optimism is crumbling and fears of disinflation and stagnation have returned.

The only good thing about the current situation is that it is mainly man-made and could be easily reversed. However, until it is, it will again be up to the ECB to do the heavy lifting in the eurozone. The announced and intended fiscal stimulus in Germany, as well as European efforts to increase defence spending, will take time to substantially boost economic activity in the eurozone.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

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.