

## Eurozone recovery gets reality check in June

The lower PMI in June suggests that growth in the second quarter may be slower than initially expected. With price pressures easing according to the survey, this confirms the view of a moderate economic environment in line with expectations of very cautious easing from the European Central Bank



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The last few months showed improving business sentiment and GDP growth in the first quarter had already surprised to the upside. This resulted in expectations of a perhaps faster economic recovery than initially expected, but the June PMI shows that the eurozone economy in 2024 is no Cinderella story. The drop in the composite index from 52.2 to 50.8 indicates that growth in the second quarter could be a tad below the 0.3% quarter-on-quarter seen in the first.

The manufacturing sector saw output drop substantially in June, but services also saw the pace of growth slow somewhat. New orders and the pace of employment growth fell in June, showing a small setback in the recovery process across the board. One positive is that the overall reading of 50.8 still corresponds to modest growth and most importantly: inflation pressures moderated again according to the survey. This corresponds to an environment which keeps the door open to

further ECB rate cuts this year.

For growth, this provides a bit of a reality check, but not a big one. It's just one survey and business sentiment remains in line with expectations of moderate growth in the second half of the year on the back of the ongoing recovery of consumer purchasing power and somewhat improving financial conditions. Then again, with euro risk making a return around the French elections and higher rates still seeping into the economy, this is no time to be complacent. The eurozone economy is performing better than in 2023, but headwinds do remain.

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