

## 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



Source: Shutterstock

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.

## 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).