

## Both eurozone sentiment and lending surprise to the upside

Economic sentiment in the eurozone rises from 103.9 to 105.1 in May and lending picked up in April. While still in line with weaker growth for Q2, it does put the growth outlook in a somewhat better light



Shoppers in Berlin

This bounceback in eurozone sentiment comes as a pleasant surprise after a poor reading in April and weak readings for the PMI and IFO. It has to be said that most sectors – except for services – still show weaker readings than in March, so the best way to read this is: it's not as bad as April data suggested!

Moderate growth, therefore, seems to be the way forward according to the ESI. The improvements were mainly led by improved optimism about the months ahead for both industry and services. This is not because of improved new orders though, which still declined in May. Industry data was poor in general as the recent production trend dropped significantly and so did employment expectations. This seems in line with a modestly weaker GDP growth rate in Q2 than Q1.

While most recent data points towards some slowing of growth in the second quarter, there are also green shoots to be found. Today's lending data shows that loan growth to non-financial corporations has improved from 3.6% to 3.9% YoY in April, with loan growth to households accelerating to 3.4% YoY. Once again, this is a hard data point that performs better than the

surveys would suggest, indicating that the dichotomy between the surveys and hard data is something to be wary of.

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