

## Eurozone sentiment brings inflation relief, but no signs of recovery for growth

Economic sentiment fell again in February, from 95.8 to 95.4. The economy remains stuck in stagnation with services weakening. The good news is that selling price expectations ticked down again, all providing fuel for rate cuts later this year



Sunrise in Amsterdam, the Netherlands

The eurozone economy has been stagnant since late 2022 and surveys have shown that there is no meaningful improvement happening in the first quarter. The February PMI allowed the 'glass half full' crowd to see some green shoots, but the European Commission Economic Sentiment Indicator pours some cold water on those takes.

The industrial sector saw confidence remain broadly stable, going from -9.3 to -9.5 in February with weak production expectations and new orders showing signs of bottoming out, but inventories remaining high.

The Services Confidence Indicator dropped from 8.6 to 6.0 with a notable decline in recent demand and much weaker expectations of demand in the months ahead. This also resulted in a weaker employment outlook.

The upside to this weak survey is that selling price expectations also ticked down for services, coming as a relief around simmering inflation concerns. Services inflation expectations had risen for four months in a row, bringing it back to levels associated with a rebound in price growth. The dip in February is not strong enough to take away all hawkish worries – but it at least shows that there is no further acceleration.

For goods, selling price expectations ticked down in February, confirming our view that the impact of the Red Sea disruptions on inflation is very limited given weak demand for goods and well-filled inventories.

All of this rounds up as quite a dovish survey for the European Central Bank. There is little indication of a rebound in economic activity and green shoots are few and far between at this point. We expect growth to cautiously pick up towards the summer. Inflationary pressures on the services side were milder this month as the sector sees demand weaken and becomes less upbeat about the months ahead. To us, this paves the way nicely for small ECB rate cuts from June onwards.

## 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).