

## Expected re-acceleration in Eurozone growth isn't happening

Flash Eurozone composite PMI shows a further decline in May, still signalling continuing growth, but no acceleration for the time being



Source: Shutterstock

The flash Eurozone PMI Composite Output Index declined to 54.1 in May from 55.1 in April, undershooting consensus expectations. Both the Services PMI Activity Index (53.9) and the Manufacturing PMI Output Index (54.5) are now at their lowest level in more than a year.

Input cost inflation accelerated to a three-month high on the back of higher fuel and energy prices, while in some countries wage pressures are starting to show. But this is squeezing margins rather than increasing inflation as average selling prices for goods and services rose at the slowest rate since September 2017. Companies have mentioned difficulties in hiking prices because of weak final demand.

---

*Contemplating the Eurozone's growth perspectives we, unfortunately, might have to refer to the famous Looney Tunes catchphrase "That's all folks!"*

---

It has been repeated ad nauseam that first-quarter growth in the Eurozone has been slowed by temporary factors like bad weather, the timing of the Easter holidays, a flu epidemic and strikes. But until now we've hardly seen an uptick in the sentiment indicators in the second quarter, suggesting that there is not much of an acceleration to be expected. Admittedly, May might have also been distorted by the number of holidays, but even then, the decline in sentiment remains significant.

To be sure, the current level of the PMI is still compatible with quarter-on-quarter GDP growth of about 0.4%. However, some challenges remain. The high oil prices sapping consumer purchasing power, the still not resolved trade issues with the US and the potential financial market tensions the new Italian government might provoke could all weigh on growth in the coming quarters.

We still expect GDP growth to come in at 2.2% this year, but one senses that the growth momentum is more likely to slow rather than accelerate again. In 2019, expect growth to fall back to 1.8% at best. Contemplating the Eurozone's growth perspectives we, unfortunately, might have to refer to the famous Looney Tunes catchphrase "That's all folks!".

## Author

### Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@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).