

Snap | 30 March 2023

Has the eurozone economy started a quiet revival?

The small drop in the economic sentiment indicator for the eurozone is at odds with the PMI and suggests relatively weak economic activity in March. We therefore remain cautious about GDP growth for the first quarter. Dropping selling price expectations confirm a view of moderating inflation for the months ahead



Today's figures provide no justification for giving the all-clear in the eurozone's fight against inflation

The economy is undoubtedly in a volatile phase at the moment, illustrated by confusing recent survey data about the first quarter. The PMI (which jumped from 52 to 54.1 in March) has been [a lot more upbeat](#) than the economic sentiment indicator, which fell from 99.7 to 99.3 this month. Both surveys share a concern about manufacturing production, but the European Commission survey seems more cautious about how services are performing.

The manufacturing survey shows slightly improving performance of new orders, but at a low level. Similarly, inventories remain rather high. The production trend previously observed dropped in March, but remained above levels seen in the second half of last year. Overall, it looks like industry has profited from easing supply chain strains, which has helped reduce backlogs of work. With weak orders, it makes sense that production expectations are falling again.

For services, we see a decline in the development of the business situation. Demand saw a small drop, but overall it looks like the recovery in demand seen in December and January has now ended. Businesses in services are getting more upbeat about the outlook, but for now the survey suggests moderate activity in the sector. In retail, we see that high inventory levels add to a drop in sentiment. The sales indicator remained at high levels in March but ticked down slightly compared to February.

Selling price expectations dropped across the board in March. Industry and construction price expectations are falling rapidly and could soon reach levels seen prior to the Covid-19 pandemic. For retail and services, we see that so far the drop is smaller and a large percentage of businesses still intend to raise prices, but the trend has been down for a few months now. Does anyone dare to predict a soft landing at this point? We'll believe it when we see it, but recent survey data at least do point in that direction with slowing inflation expectations and economic activity picking up a bit – although at weak levels.

Author

Bert Colijn

Chief Economist, Netherlands

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.