

Snap | 23 May 2024

## The eurozone's economic recovery gains momentum

The eurozone's composite PMI increased from 51.7 to 52.3, led by a jump in the manufacturing output PMI. With inflation softening according to the survey, the outlook for the region's economy is increasingly benign



Following a better-than-expected first quarter, it seems the eurozone's economic momentum is continuing in the second quarter as the PMI for May improved once more. Manufacturing output jumped to 49.6, which – according to the literal interpretation of the survey – means that the declines in production are now close to bottoming out. We note that this indicates better momentum gaining in the manufacturing sector, for now mainly driven by domestic orders improving.

Current improving economic activity is a clear break with the period of stagnation that the eurozone economy had been in over the course of 2023. A recovery of real wages is important here, but financial conditions have also eased somewhat compared to last year and expectations for global demand are improving. This translates into expectations of GDP growth of around 0.3 -0.4% per quarter this year.

For the European Central Bank, it will have come as a relief that inflation softened in May. According to the survey, input inflation eased and output price growth slowed, especially in the service sector. The latter will be closely watched by the ECB ahead of the rate decision in two weeks' time and could add to expectations of a rate cut despite economic activity picking up. Still, the scope for rate cuts remains limited for now as eurozone wage growth is expected to come in higher than initially hoped for later this morning.

## 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).