



Kallum Pickering, Senior Economist | Kallum.pickering@berenberg.com | +44 203 465 2672

COVID-19 UPDATE: BEST NEWS IN WEEKS

Berenberg Macro Flash

Positive signs: Amid the growing economic impact of the virus lockdown measures in Europe and the US, two positive trends are emerging: First, the harsh containment measures which major parts of Europe started to impose some two weeks ago are apparently starting to work. The rate of increase of confirmed coronavirus infections is slowing visibly in Europe. Second, we see more tentative signs of some rebound in economic activity in China. The official China PMI data for March came in well above expectations. For our core views on the coronavirus recession [see here](#).

Pandemic update: The US is now the major epicentre of the pandemic. In Europe, the total number of confirmed infections is slowing, with a rise of 17% in the last two days to 411k - down from a 28% two-day increase from 25 to 27 March. In the US, the number of confirmed infections has risen by 32% to 165k over the same period following a 56% jump in the two days to 27 March according to [Johns Hopkins University](#) (as of the morning of 31 March). In China, the number of officially reported active cases has fallen to 2.7k from a peak of 58k on 18 February.

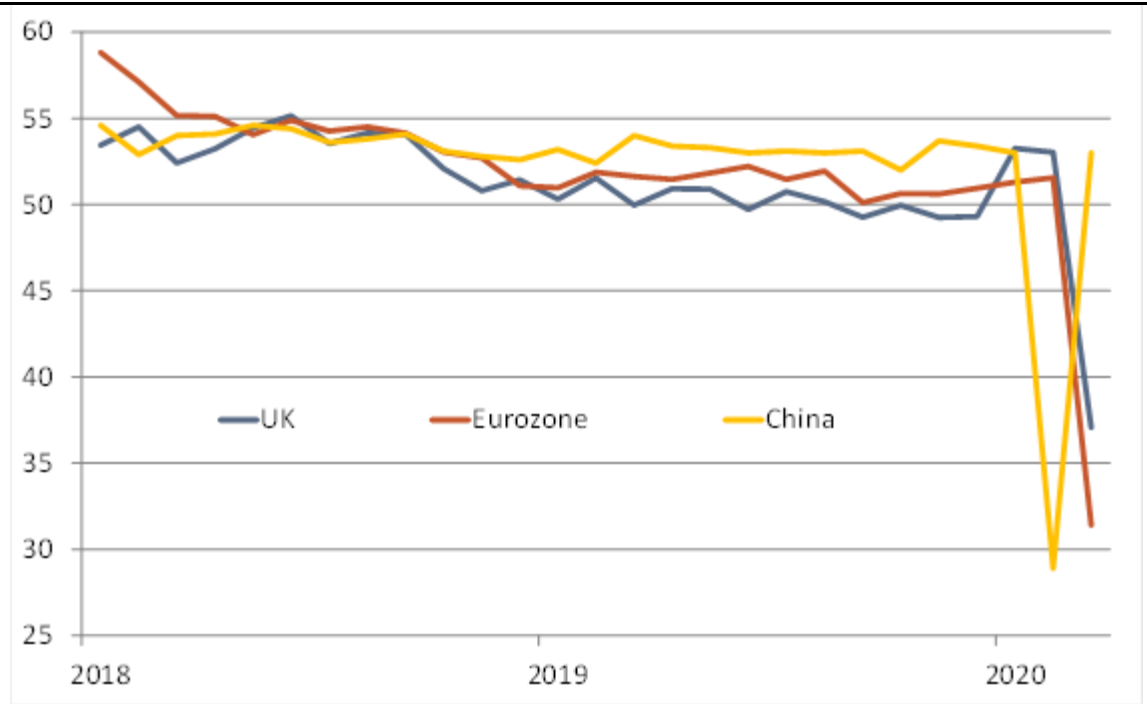
China PMIs – rebounding from record lows: China's official PMI indices beat expectations in March. According to Bloomberg, consensus had expected the data to show a continued – albeit less steep – decline in activity in March (c42-45 range). Instead, the index for manufacturing showed a bounce in activity to 52.0 in March, from 35.7 in February, while the non-manufacturing index surged to 52.3 from 29.6. Of course, official data out of China should always be treated with caution, and especially so at a time when China is trying to score points on the global scale for its handling of the crisis. In addition, the modest increase which the data now signal comes from a very depressed level of activity. This suggests that the rebound is modest and that, relative to the pre-corona level, activity remains quite depressed. Still, the improvement in the PMIs chimes with the measures of daily economic activity such as passenger traffic, coal consumption and the like which show that activity seems to be rebounding from the February lows.

A road map for Europe: As a rough guess, Europe is probably some 6 weeks behind China. While the trends will not be exactly the same, partly because the measures taken in Europe to contain the virus are somewhat less draconian, developments in China provide a glimpse into the possible future. Economic activity in Europe plunged in March according to the PMI data, with the falls almost in line with the drop in February in China – Chart 1. Europe will need to keep its strict containment measures in place for a few more weeks yet. But the evidence of the slowing virus spread in Europe supports the hope that at least some of the most restrictive containment measures may be lifted in May. With luck, the European economic trends will also follow the Chinese trends, although probably in a more muted form. If so, the inflection point in the coronavirus recession for Europe could be in late Q2. This has been our base case for the last three weeks already. The massive policy support across Europe supports this hope. But it is far too early to assess this with any confidence.



MACRO NEWS

Chart 1: Like China: Eurozone and UK composite purchasing managers' indices (PMIs)



50=no change. Source: China Federation of Logistics and Purchasing, Markit

This message has been produced for information purposes for institutional investors or market professionals, it is not a financial analysis within the meaning of § 34b or § 31 of the German Securities Trading Act (Wertpapierhandelsgesetz), no investment advice or recommendation to buy financial instruments. The message does not claim completeness regarding the information on the developments referred to in it. On no account should it be regarded as a substitute for the recipient's procuring information for himself or exercising his own judgements. The message may include certain descriptions, statements, estimates, and conclusions underlining potential development based on assumptions, which may turn out to be incorrect. Berenberg and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this message or any part of its content. -- For full economics reports please visit our website or contact capitalmarkets@berenberg.de.

Joh. Berenberg, Gossler & Co. KG
60 Threadneedle Street
London EC2R 8HP
Phone +44 20 3207 7859
www.berenberg.com
florian.hense@berenberg.com