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## EUROPEAN SENTIMENT: HISTORIC PLUNGE TO ALMOST RECORD LOW

### Berenberg Macro Flash

**The lockdowns to contain the Covid-19 pandemic are taking an unprecedented toll on the European economy.** The European Commission's index for economic sentiment (combines business and consumer confidence) collapsed by 27.2 points from 94.2 in March to 67.0 in April, close to its all-time low of 65.5 in March 2009. It is the biggest monthly plunge since the series started in 1985. 100 equals the long-term average since 1985. The monthly plunge dwarfs the previous record drop of 9.2 points in March 2020 and the biggest monthly drop during the financial crisis of 7.2 in December 2008.

#### **Sentiment data confirms conclusions we drew from previous survey data for April:**

- 1) the immediate economic shock is much deeper than the initial hit from the financial crisis;
- 2) the shock affects every country, industry and sector of the economy (see charts 1 and 2);
- 3) the lockdown measures disrupt retail and other services even more than manufacturing and construction;
- 4) unemployment will surge significantly despite powerful automatic stabilisers, including widespread job retention schemes.

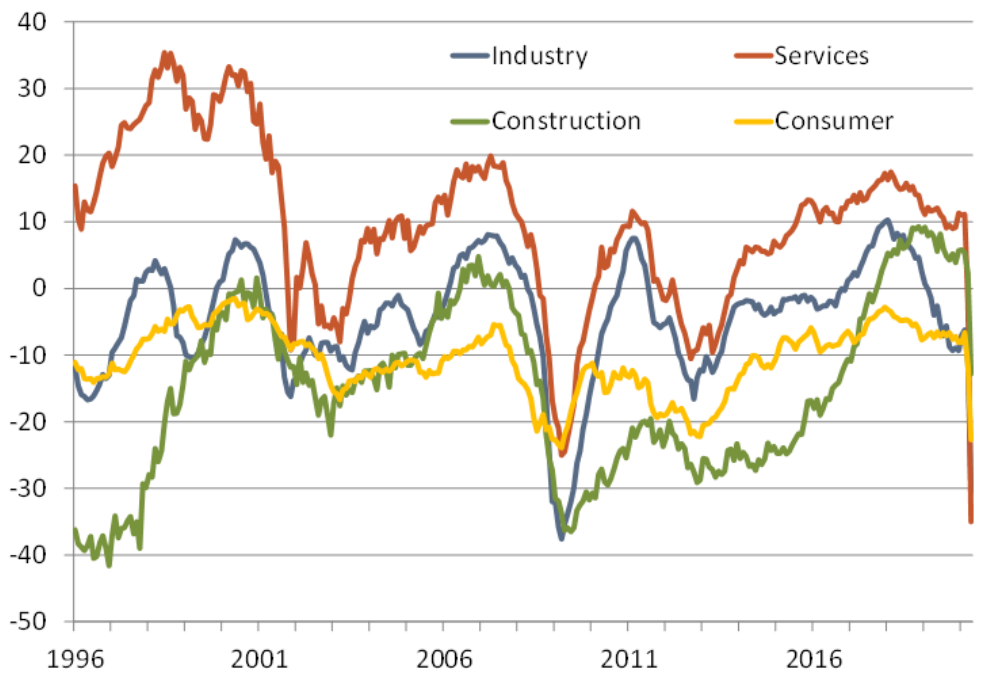
Economic sentiment in the Netherlands crashed by 32.6 points, 26.0 points in Spain, 19.9 in Germany and 16.3 in France. The European Commission pointed out that no data could be collected in Italy due to the strict confinement measures. **Ultimately, we expect economic activity to plunge in Italy, Spain and France even more than in Germany owing to harsher lockdowns, bigger services sector and smaller fiscal responses.**

**April shows the full impact of the pandemic and lockdowns. With luck, April will be the worst month of the coronavirus recession for Europe.** Major European countries are either already beginning to ease their lockdowns or are planning to lift lockdowns throughout May. This provides some hope that May will be less bad than April.



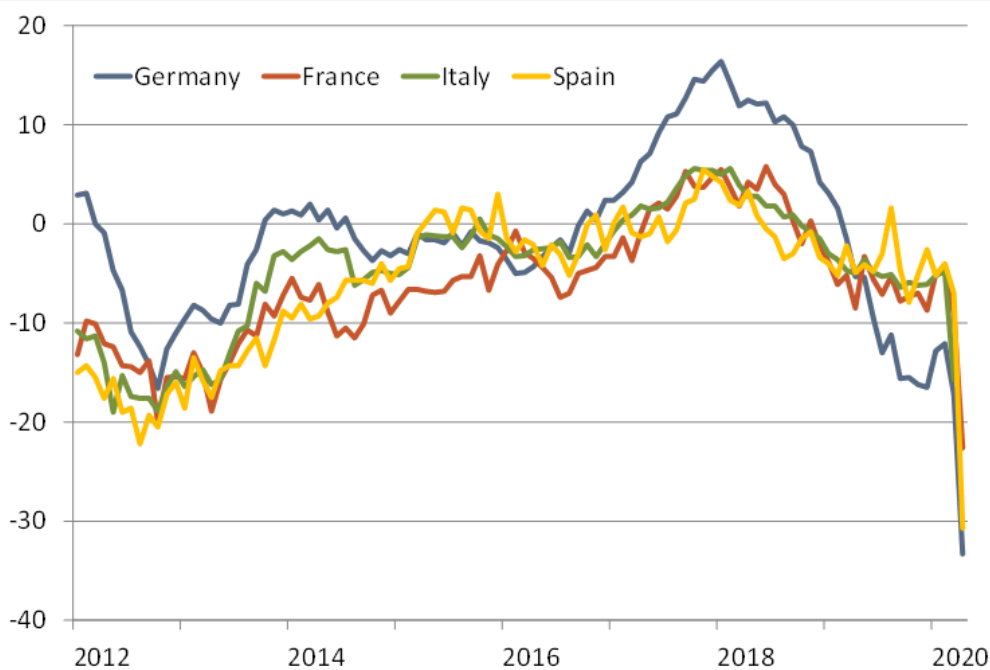
## MACRO NEWS

**Chart 1: Eurozone economic sentiment by sector**



In %. The percent balance equals percent of respondents reporting an increase minus the percent of respondents reporting a decrease. Source: European Commission

**Chart 2: Eurozone economic sentiment by country**



In %. The percent balance equals percent of respondents reporting an increase minus the percent of respondents reporting a decrease. Source: European Commission



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## MACRO NEWS

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