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## MACRO NEWS

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### EUROZONE PMI HOLDS STEADY BEFORE BREXIT

#### Berenberg Macro Flash

PMI Eurozone composite, June

Actual: 53.1

Previous: 53.1

Consensus: 52.8

Berenberg: 52.8

The final reading of June's PMI composite of 53.1 was unchanged from May and stable at a level in line with trend growth. This is the 19<sup>th</sup> consecutive expansion of the index (a level of 50 indicates neutral). Faster manufacturing growth (registering its highest growth in the year so far) was countered by a slowdown in the service sector (its lowest level in almost one-and-a-half-years). Manufacturing being export-oriented and services driven mainly by the domestic economy, point to some uncertainty at home while the global economy improves gradually.

The quarterly PMI gauge confirms that the Eurozone economy did not gain momentum (see chart) and that Q2 GDP growth will not be as robust as in exceptionally strong Q1. The strong upturn seen in the official GDP data in the first quarter of the year may have overstated the underlying health of the economy. With the gauge just an inch below that for the first quarter (53.1 vs. 53.2), we may, however, see some upside risk to our GDP Q2 forecast of 0.2%. For the rest of the year, with the 'Brexit' risk materialising and most of the June's PMI replies received before the UK's EU referendum, we expect Eurozone PMIs to weaken and growth to slow to 0.2% in Q3 and Q4.

There were brighter news from strong Germany, with solid expansions in Italy, Spain and Ireland. France was a reason of concern with output and new orders falling. French PMIs suggested that employment fell for the second successive month, while job creation continued in the other bigger Eurozone countries (Germany, Italy and Spain). Whether the slip back is more worrisome for the coming second half of 2016 depends on how closely PMI data actually reflects (or doesn't reflect) French economic expansion. So far this year, we have seen French GDP decouple from PMI more than in other countries.

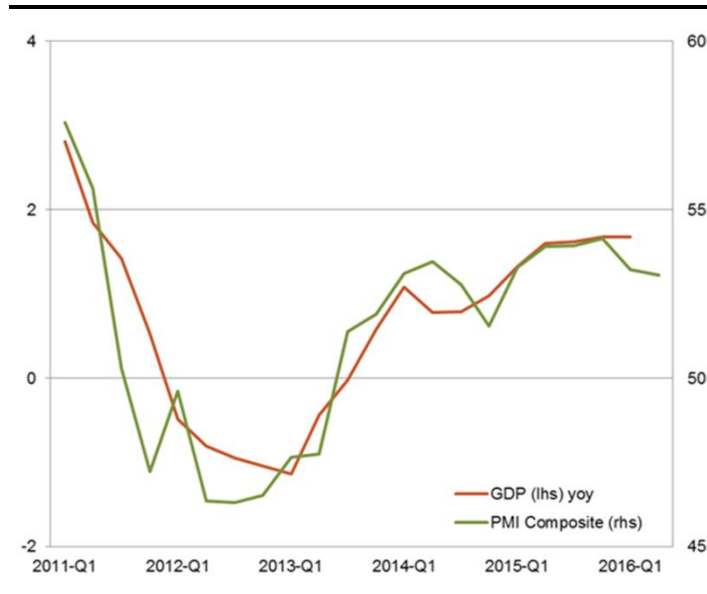
#### Euro area PMI

	JUN	MAY	APR	MAR	FEB	JAN
Composite	53.1	53.1	53.0	53.1	53.0	53.6
Manufacturing	52.8	51.5	51.7	51.6	51.2	52.3
Services	52.8	53.3	53.1	53.1	53.3	53.6



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Chart: PMI composite vs. GDP yoy growth



Source: European Commission

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