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EUROPEAN PMIS HERALD SOLID REBOUND

Berenberg Macro View

Supported by an aggressive monetary stimulus, an adequate fiscal response and strong global demand, Europe is on track for a solid rebound from the Covid-19 recession. Although the current wave of the pandemic forced parts of the Eurozone to extend or tighten their lockdowns in April, even the badly battered services sector returned to modest growth in the **Eurozone** in April judging by the results of the monthly survey of purchasing managers.

Eurozone **manufacturing** continues to go from strength to strength. It is held back in some sectors only by a shortage of critical imports as the surge in demand strains supply chains. Setting a new record high for the second time in a row, the Eurozone manufacturing PMI improved further to 63.3 in April after 62.5 in March. As the **services activity** index advanced to an eight-month high of 50.3 in April from 49.6 in March, the composite output PMI reached a nine-month high of 53.7 in April after 53.2 in March. With the likely easing of lockdowns across most of continental Europe in May as the vaccination campaign continues to gather pace (see Chart 3), we expect further significant gains for the services sector in the months to come. The rise in business expectations to the best level since the start of this series in mid-2012 bodes well for the outlook. That the mood among Eurozone consumers brightened in April with an increase in confidence to -8.1 from -10.8 in March as reported yesterday points in the same direction.

The Eurozone looks set to follow the **UK** which, from a lower base, started to bounce back in March after getting the pandemic under control with harsh lockdowns and a rapid vaccination campaign. Reflecting building recovery momentum amid gradual easing of restrictions, UK PMI data exceeded the already high consensus expectations in April. The composite index jumped to an 89-month high of 60.0 in April (59.0 expected) from 56.4 in March.

Key details from the flash PMI reports:

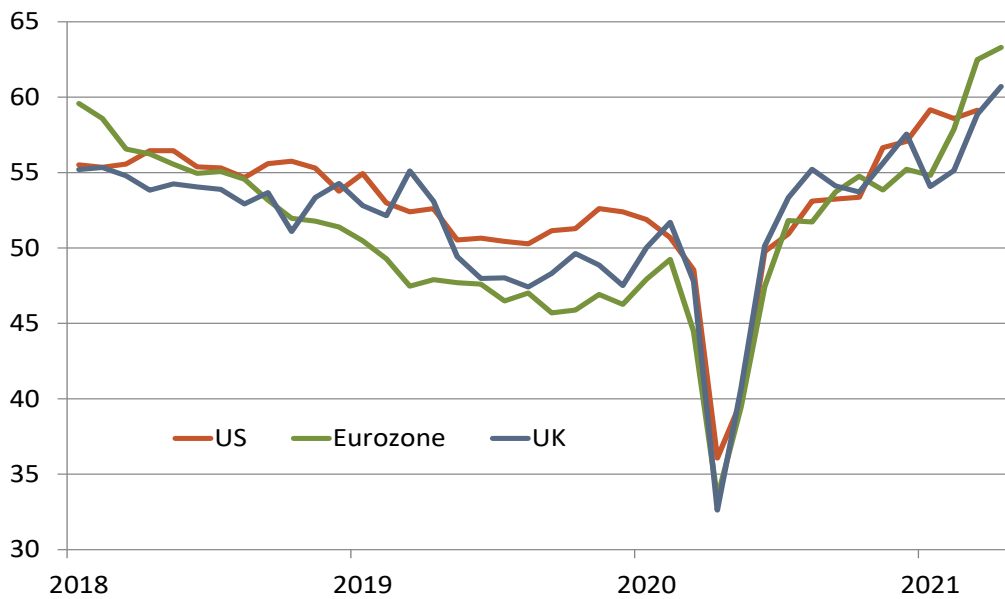
- Demand is strong: the gain in new orders in the Eurozone accelerated to the best level since September, “led by a second successive record increase in new orders for manufactured goods” according to Markit.
- Although orders in the Eurozone service sector are still falling, they came “close to stabilising” in April according to Markit.
- Companies in the Eurozone are hiring more workers. In manufacturing, the PMI-subindex rose to its best level since November 2018 – that is before the onset of the US-China trade war. Even in services, the still modest pace of job creation edged up to the least-bad rate since the start of the pandemic.
- Whereas the **German** composite PMI softened slightly from 57.3 to 56.0 as services activity slipped from 51.5 to 50.1 amid the extension of semi-lockdowns, the situation in **France** improved unexpectedly with a rise in services output from 48.2 in March to 51.7 in April. Despite tighter restrictions to contain the spread of the virus, the French services sector thus returned to growth.



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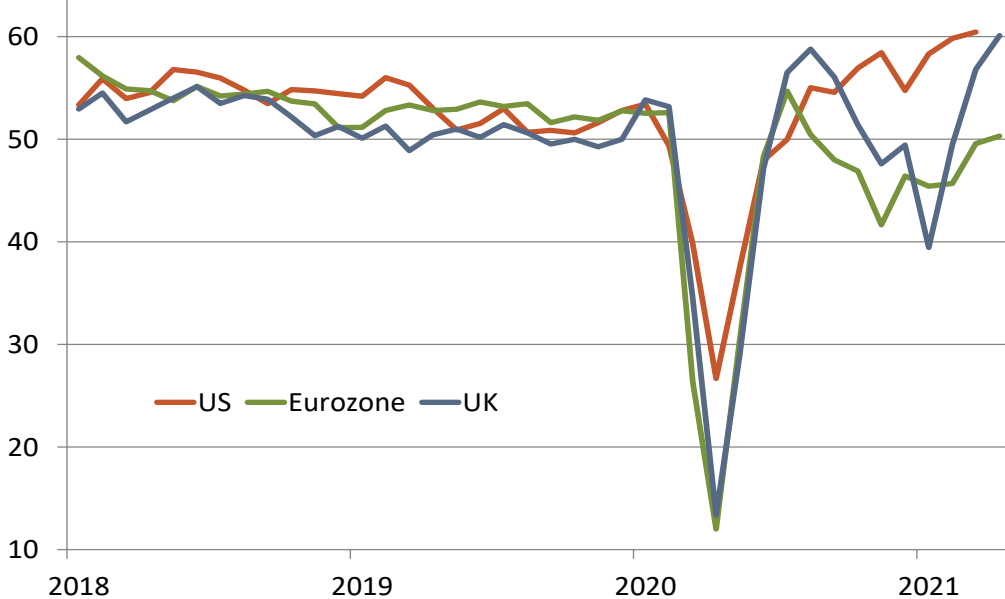
- In the **UK**, the uptick reflected broad-based gains in economic activity – the services PMI increased to from 56.3 to an 80-month high of 60.1 (58.9 expected) while manufacturing rose to a 321-month high of 60.7 from 58.9 (59.0 expected).

Chart 1: Manufacturing PMIs



Source: Markit, Haver Analytics

Chart 2: Services PMI

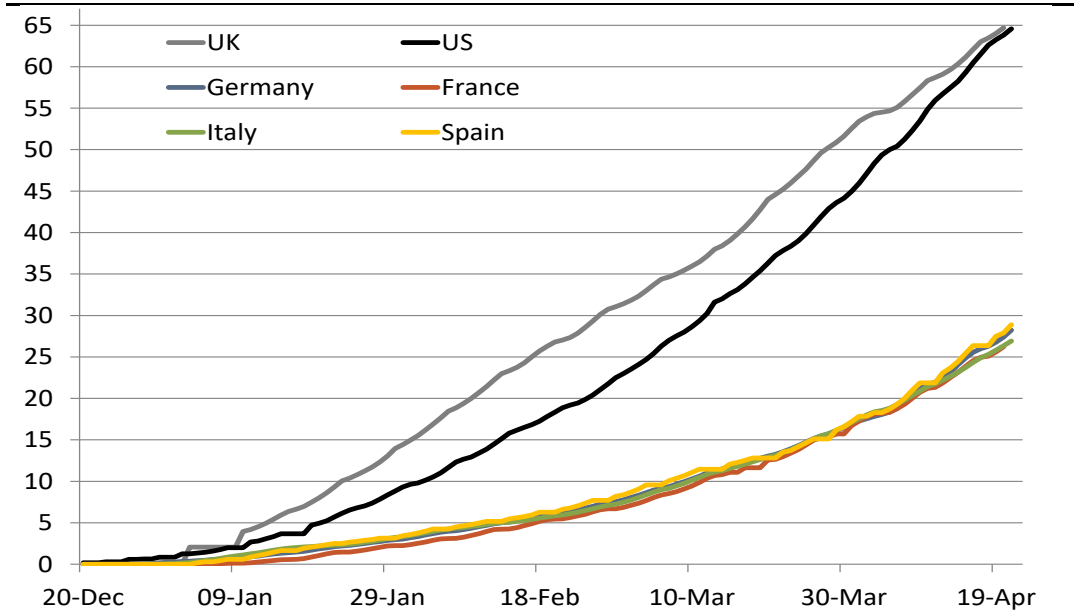


Source: Markit, Haver Analytics



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Chart 3: Total number of Covid-19 vaccinations administered, per 100 people



Source: Our World in Data



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