

The NewsLine

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EUROZONE

PMIs point to buoyant start to second quarter

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Today's survey results confirm that the eurozone economy is increasingly gaining momentum and breadth. Sentiment in France improved particularly sharply despite the heightened political uncertainty ahead of this weekend's presidential election. In Germany sentiment deteriorated slightly, but this was more than offset by the strong performance in France and in the other eurozone countries.

The composite purchasing managers' index for industry and services in the eurozone rose again slightly in April to 56.7 points, reaching a six-year high. The improvement stemmed primarily from France, whereas sentiment in Germany clouded over slightly (see below). In the other eurozone countries covered by the survey sentiment improved and, on average, reached its highest level since summer 2007. It is also particularly encouraging that jobs growth in April in the eurozone saw the steepest increase for almost ten years. Overall, we are still penciling in eurozone GDP growth of 1.7% this year.

In Germany the composite index slipped from 57.1 to 56.3 points, the second highest level in three years. This was the first drop in the index this year, caused by both industry and, especially, the services sector. The rise in incoming orders weakened slightly in April and employment and price pressure both fell. Today's survey results bolster our forecast of 1.7% German economic growth this year.

Shrugging off heightened political uncertainty ahead of this weekend's presidential election, the French purchasing managers' index for industry and services rose strongly in April from 56.8 to 57.4 points. The PMI for the

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industrial sector improved particularly sharply and, at 55.1 points after 53.3 last month, reached a six-year high. By contrast, the PMI for the service sector edged up by only 0.2 points to 57.7 points but, thanks not the least to the sharp improvements in recent months, this still puts it at highest level in around six years. Adding to the good news, employment rose further in April. We are sticking with our forecast that GDP growth of 1.4% in France is on the cards this year.

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