

The NewsLine

March 22, 2016

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EUROZONE

Gloom lifts

Despite the difficult global environment, the eurozone economy remains on the growth track. Although the acute concerns about the world economy early in the year prompted hefty financial market turmoil, business activity appears relatively unimpressed. With the backdrop still favorable – especially for private consumption – growth momentum in the eurozone is even likely to accelerate slightly in 2016.

The purchasing managers' indices (PMIs) published today point to a continuation of the economic upswing in the eurozone. The combined PMI for manufacturing and services rose by 0.7 points in March to 53.7 points. The improvement was largely attributable to the healthy trend in the services PMI (54.0 points in March after 53.3 points in February), whereas the index for manufacturing climbed only 0.2 points to 51.4 points. The figures show that this spring revival was driven not by Germany but by France and the other countries covered by the survey. Today's results confirm our view that the eurozone economy is set to gain breadth and stability in 2016. The main drivers – especially for private consumption – are the low oil price, the still relatively weak euro, ultra-loose ECB monetary policy and the positive trend on the labor market. We expect growth momentum to accelerate slightly in 2016, with eurozone GDP likely to increase by 1.7% after 1.5% in 2015.

The German composite index was unchanged in March at 54.1 points: a slight deterioration in the PMI for the industrial sector was offset by a marginal improvement in the PMI for the services sector. By contrast, the results of the March ifo survey also published today show a marked improvement in economic sentiment. This shows the assessment of the current situation rising for the second month in a row and reaching its highest level since October 2015. Expectations also recovered following the slump seen in the previous two months. Following a good start to the year – we are expecting growth of

Katharina Utermöhl
Phone +49.69.24431-3790
katharina.uterhoehl@allianz.com
Allianz SE
<https://www.allianz.com/economic-research/en>

 Allianz Research
<https://twitter.com/AllianzResearch>

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0.6% in the first quarter – the German economy is likely to grow by 2.2% in 2016.

In France the March PMI composite index jumped to 51.1 points from 49.3 points in February, driven by the positive trend in the services sector. This puts the composite index back above the 50-point expansion threshold. For the first quarter 2016 we expect the pace of GDP growth to be marginally above the average quarterly rate seen last year (around 0.3%). We are sticking with our forecast of 1.5% economic growth in France for 2016 as a whole.

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These assessments are, as always, subject to the disclaimer provided below.

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This business success with insurance, asset management and assistance services is based increasingly on customer demand for crisis-proof financial solutions for an aging society and the challenges of climate change. Transparency and integrity are key components of sustainable corporate governance at Allianz SE.

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