Snap | 22 March 2019

Eurozone: March rounds out poor quarter as PMI drops again

The March decline in the eurozone's PMI indicates the bloc's economic problems are far from over, as Februrary's increase was taken as a sign of things bottoming out

Source: Shutterstock

51.3 Eurozone composite PMI in March

From 51.9 in February

Worse than expected

The composite PMI for the eurozone declined from 51.9 to 51.3 in March, which gives little hope of growth recovery in the first quarter. Businesses continue to indicate that new orders have weakened, which mainly stems from export orders declining at a worrying pace. Factors such as the trade conflict between the US and China, possible tariffs on the auto sector and Brexit impact global growth and weigh on new orders coming in. Employment growth slowed on the back of this as businesses see output grow at a weaker pace.

The decline in the German PMI is worrisome as it indicates that the bottom has not yet been found. While services are holding up nicely, the manufacturing downturn is deepening, according to the German manufacturing PMI. While recovery from one-offs is still expected in German manufacturing output, uncertainty about global economic factors is weighing heavily on the Eurozone's largest economy. The downturn in France indicates that the Q1 bounce back from the 'yellow vest' disruptions may be more limited than initially thought.

Today's PMI indicates that GDP growth is unlikely to have bounced back in Q1. The PMI further shows that manufacturing output has been declining, which means that growth continues to be based on service sector developments. To fire on both cylinders again, the Eurozone seems to require the global growth outlook to improve. Unfortunately, uncertainty is continuing into April with many of the global growth concerns still undecided...

Author

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com