

## Eurozone PMI: Green shoots becoming more apparent

The composite PMI remained unchanged at 50.9, but there is enough in this release to start the year with some moderate optimism.



A bottling factory in Milan, Italy

With a 'phase one' trade deal in place, additional no car tariffs for the moment and some certainty about the Brexit timeline, some of the factors holding back manufacturing output have improved. Don't expect immediate output recovery from that – as today's unchanged PMI confirms. Still, there are some encouraging numbers in this PMI release which confirm there is some growth recovery in the making.

The manufacturing PMI increased from 46.1 to 47.5 in January, with signs of new orders stabilising. Sentiment among manufacturers is improving rapidly, meaning that expectations for a 2020 recovery are increasing. That in itself is likely to have a positive impact on the investment outlook. The service sector maintained a solid growth pace in January according to the survey, albeit somewhat slower than in December.

With manufacturing showing early signs of recovery and the service sector continuing to grow, chances of a recession are receding further. We are expecting growth to very gradually pick up over the course of the year. While expectations of a swift recovery may be increasing now, chances of a v-shaped are slim. This is because many of the downside risks affecting global trade

have only marginally resided and supply side constraints on the labour side remain in place.

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