

## Eurozone PMI halts decline in April

The PMI was unchanged at 55.2 in April. This result was better than expected, but still points to slowing growth in Q2



After dropping in February and March, the decline in the PMI has been halted in April. The stagnation surprised analysts on the upside, but this does not mean that the euphoric view of the economy of 2017 should be making a swift return. Yes, the PMI is still indicating solid growth for the second quarter, we expect 0.5% quarter-on-quarter GDP growth, but it is also providing further evidence that the stellar quarterly growth rates of 2017 are unlikely to be replicated this year.

The PMI indicated further slowing of growth in new orders. The effects of the stronger euro are playing an important role here as new orders from outside the Eurozone slowed as well. Employment growth continued at a fast pace, indicating that the outlook for domestic demand remains positive. Even though labour market pressures continue to be significant, inflation is not set to accelerate according to the survey. Price pressures moderated again in April, as lower growth in input prices was reported despite the elevated oil price.

ECB President Mario Draghi recently voiced concerns about the spillovers of a possible trade war to Eurozone confidence. The April PMI and consumer confidence read of last Friday are both evidence that the impact has been limited so far and that growth continues at a healthy pace. Further acceleration of GDP growth seems off the table though and indications of slowing inflation will make the hawks turn out in small numbers this Thursday at the ECB monetary policy meeting.

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