

## Eurozone PMIs paint an optimistic picture

Eurozone PMIs jumped above 50 in July, with both services and manufacturing indicating improvements and that the recovery from lockdowns continued in July confirming expectations of a strong 3Q GDP figure



The composite PMI increased from 48.5 to 54.8 in July - a significant jump that continues to signal improvements in business activity as the eurozone leaves lockdowns behind.

We're reluctant to consider the reading of the index very literally, instead, we think the direction of the index is more useful in these uncertain times.

The significant improvement indicates that demand is bouncing back as economies reopen, which confirms our view of a very strong 3Q growth figure. Also important is the speed of the recovery of German exporters which showed some signs of life as demand from China has been picking up in July, but also internal eurozone demand too.

For the eurozone's strongest exporter, this is positive news and it is an early indication that trade might have also started a cautious recovery.

Even though output is recovering, businesses are still reducing jobs at a considerable pace. This is in line with our expectations as short-time work schemes have kept unemployment artificially low

throughout the lockdown and we expect unemployment to continue to rise for quite some time.

This will be a key factor hampering the recovery after the first phase of rapid growth post-lockdown is over.

A v-shaped recovery seems quite unrealistic, despite the encouraging numbers. Rising unemployment is one factor that hampers a recovery, but so is the possibility of a second Covid-19 wave.

With new cases on the rise again, this scenario is a significant downside risk, making the outlook for the months ahead very uncertain.

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