

## Eurozone PMI surprises in December

A huge surprise as the composite PMI improves from 45.3 to 49.8 indicating resilience to the second wave so far. But don't celebrate the end of the downturn just yet as Germany and the Netherlands get set to go into a harsher lockdown. Even PMIs are backward-looking in times of Covid-19



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A lot of positives to take from the PMI release today and investors are clearly focusing on these, with the euro strengthening on the back of the early releases this morning. The eurozone PMI has been showing resilience to the second lockdown, but with harsh measures starting this week in Germany and the Netherlands, the worst could still be to come.

Let's start with the positive news though, the service sector PMI jumped from 41.7 to 47.3, in part showing optimism about future conditions due to the vaccine, but also reflecting the lifting of the closure of non-essential businesses in France, and generally indicating that conditions are stabilising. As we did during the first lockdown, we tend not to put too much emphasis on the level of the indicator and see this more as a confirmation that the first weeks of December have been better than November.

The manufacturing PMI also increased from 55.3 to 56.6, suggesting that the recovery continues

despite the second round effects of a lockdown that thus far has mainly impacted the service sector. Growth in new orders for goods, especially export orders, continue to boost industrial activity at the moment, cushioning the impact of the lockdown.

The survey also revealed that employment had been falling at the slowest pace since the start of the coronavirus crisis, which means that the labour market is showing signs of further stabilisation.

All of this optimism reflected in the survey comes at a time when Germany and the Netherlands are starting harsh lockdowns to battle rising new cases of the virus. That makes this PMI backward-looking as the severe lockdowns will have consequences for fourth quarter growth expectations and push them further into the red. Still, the resilience of the economy ahead of stricter measures is an important positive take away in very uncertain times.

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