

## Eurozone PMIs soar again indicating strong expansion in late 2Q

As economies open faster than expected, the jump in eurozone PMI indicates strong growth in the second quarter with inflation pressures increasing further



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After consumer confidence already showed signs of euphoria yesterday, today's PMI reading confirms a similar picture for businesses as the composite PMI jumped from 57.1 to 59.2.

The increase in the services PMI from 55.2 to 58 reflected optimism about reopenings of economies as demand has started to come in again and further easing is expected down the line.

The manufacturing PMI increased from 62.2 to 62.4 - a small improvement but at very high levels. German businesses reported a slight decline in lead times for inputs, but for the eurozone as a whole, the indicator continued to improve. This shows that supply-side problems remain a key dampener on the recovery, although the manufacturing outlook remains very bright with strengthening order flows.

Inflation pressures continued to mount as input prices soared in June, which translated into the strongest increase in selling prices ever measured in the survey. The problem with these surveys is

that they measure the number of businesses that indicate higher prices, not the extent of it. In this reopening phase, that might overstate expectations of the pace of inflation. Still, it confirms a picture of increasing inflation for goods and services but leaves us in the dark on how fast it is actually changing.

Overall, the PMI confirms a picture of accelerating growth over the course of 2Q as restrictive measures are eased.

We expect growth to accelerate in 3Q before it levels off a bit, but overall our base case is one for strong converging growth numbers across the eurozone in 2021.

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