

Media comment – Eurozone composite PMI release

24th January

Commenting on the composite PMI data for the Eurozone, Katharina Utermöhl, senior economist at Euler Hermes, the world’s leading trade credit insurer, said:

“[Despite a weaker reading,] There are some encouraging signs that suggest the Eurozone’s economy might now have passed the worst of the economic headwinds it weathered last year, which included Brexit worries, the US-China trade dispute and an industrial slowdown in Germany. That said, a drastic turnaround in fortunes is unlikely.

“Industrial production will begin to pick up, but only gradually as factory stockpiles remain elevated. This is particularly prominent in the UK, one of the Eurozone’s biggest trading partners, despite the best efforts of businesses to sell off a glut of stock which had been acquired in the run-up to the country’s anticipated withdrawal from the EU in October. Until this is shifted, demand will remain subdued.

“We expect the Eurozone will witness just a moderate pick-up in export growth, however, with activity still subdued and geopolitical risks around trade continuing to loom large. And while cyclical headwinds may be gradually fading, structural challenges – particularly the ongoing slowdown in Chinese GDP growth – will continue to weigh on activity. We anticipate GDP growth in Germany – the Eurozone’s largest, heavily trade-focused economy – to register just 0.6% GDP growth in 2020.

“Just as unlikely as a dramatic turnaround, though, is a recession for the Eurozone thanks to resilient private consumption. Overall we expect GDP growth to register at 1.0% in 2020 and to moderately pick up in 2021 to 1.3%. While the recovery will likely be slow to gather pace, European firms will welcome a more upbeat economic outlook for the year ahead.”

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