

ECONOMIC PULSE

EUROZONE: FIRST SIGNS OF A TIMID TURNAROUND

Without a doubt, the eurozone GDP will contract much more sharply in Q2 than in Q1 (-3.8% on a quarterly basis, q/q). Yet this deterioration generally seems to have been halted. After a timid upturn in the Purchasing Managers Index (PMI) in May, the eurozone Economic Sentiment Index (ESI) also seems to have bottomed out. After dropping to an all-time low of 64.9 in April 2020, the ESI picked up slightly to 67.5 in May.

The index's sector breakdown is also interesting. Only the services sector continued to worsen significantly in May. In construction, the index also deteriorated further, but at a much slower pace. Confidence in the eurozone's industrial sector on the other hand picked up slightly, but is still very low. Using a sector approach, we can distinguish between the current crisis arising from the Covid-19 pandemic and the Great Recession of 2008-09. At that time, the drop in sentiment

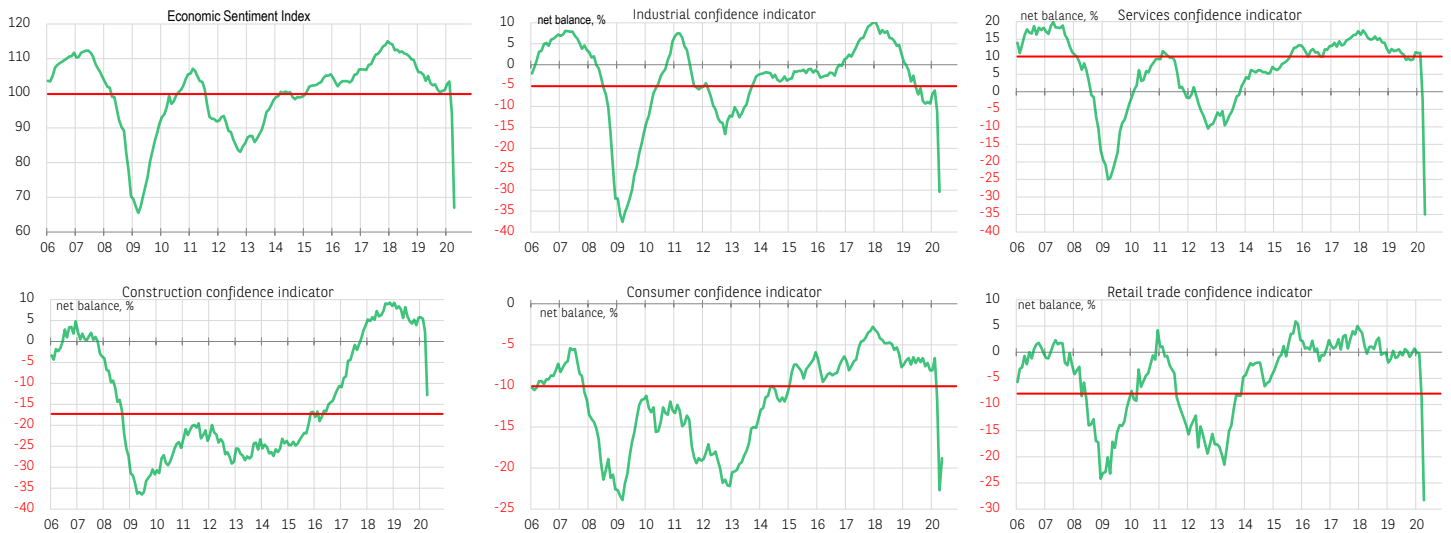
in the industrial sector due to the collapse of international trade was much stronger than the downturn in the services sector. The current situation differs in this respect. Service providers seem to be suffering the most. Despite the first easing of the lockdown, services continue to be hit by sanitary measures and possibly by consumer apprehension.

Indeed, if we look at the consumer confidence index, the situation improved slightly in May but is still extremely fragile. Consumer behaviour will be key. If the uncertainty of households with respect to health risks and the labour market were to ease, a more vigorous rebound in consumer spending would fuel a more solid economic recovery.

Louis Boisset

EUROZONE: CHANGES IN ACTIVITY INDICATORS

— historical average



SOURCE: EUROPEAN COMMISSION, BNP PARIBAS

