

# ECONOMIC PULSE

## EUROZONE: SETTLING IN TO RECOVERY

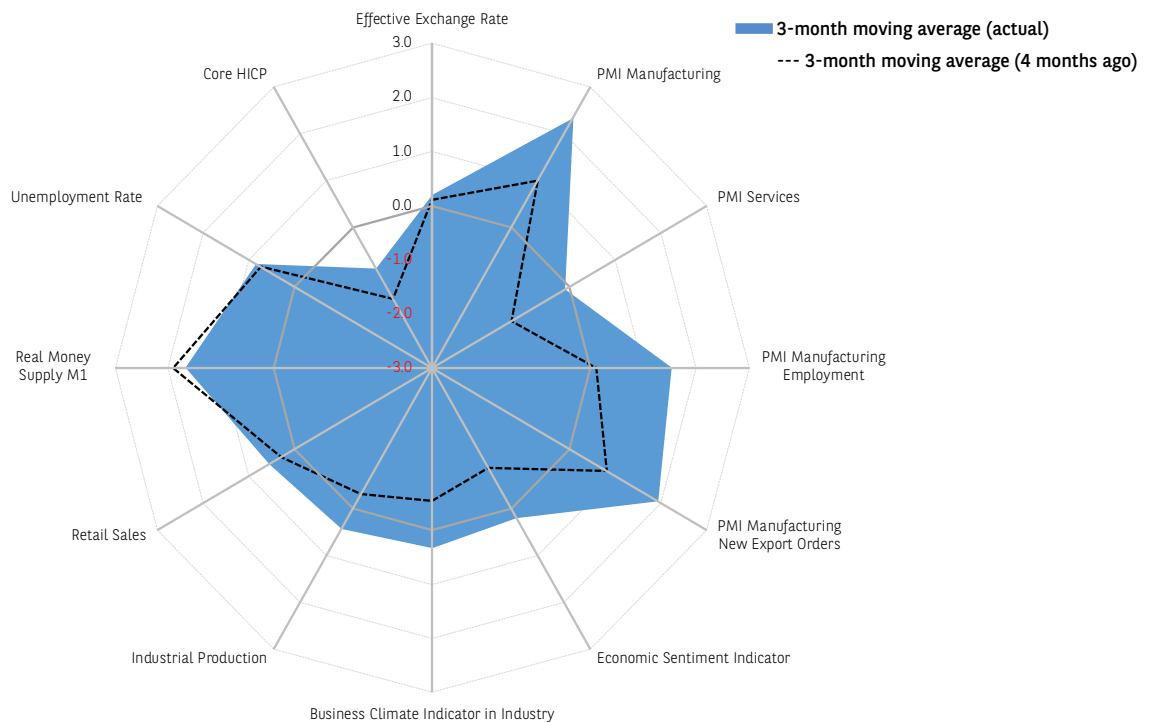
Since the start of the Covid-19 pandemic and the introduction of health protection measures, we have been stressing that only a swift and broad vaccination campaigns would allow economies to return to normal. This is what we are now seeing in most European countries. So far 32% of the European Union’s population have received a first dose of the vaccine. This aggregate figure is in line with that in France (31.5%), and below those in Germany (38%), Spain and Italy (both 33%). Although vaccine coverage in Europe still lags behind that in the United States (where nearly half of the population has had a first dose), and even further behind the UK (more than 50%), campaigns have accelerated in the continent since April.

This acceleration has fed through into the latest economic data available. As the chart shows, there has been a robust economic improvement in the eurozone over the last three months. Most notably, the Purchasing Managers Index (PMI), which offers a relatively accurate picture of the health of the economy, has continued to rise in manufacturing and is now well above its long-term average. Indeed, the manufacturing PMI has stabilized at a very high level in May 2021, at 62.8. This index was boosted mainly by the “new export orders” component, which

continues to benefit from the strength of global trade. Over the winter, the global trade in goods moved back above its pre-pandemic level, thus wiping out the heavy losses suffered in Q1 2020 in just six months. This good performance was in large part due to the early recovery in the Chinese economy, in terms of both exports and imports. One other notable insight from the PMI data, at a time when some fear an increase in eurozone unemployment, has been the improvement in the “employment” component. The services sector PMI, which had been particularly hard hit by health protection measures, moved back into expansionary territory (above 50) in April, and then moved further ahead, to 55.1, in May. This has been the highest level since mid-2018. This good news was driven by a marked improvement in consumer confidence in the eurozone, the index of which is now getting back to pre-pandemic levels. With still favourable financing conditions thanks to the monetary policy of the ECB, and assuming that fiscal policymakers will be careful not to withdraw support measures too abruptly, the eurozone could recover its losses faster than was being predicted just a few months ago.

**Louis Boisset**

### EUROZONE: QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar are all transformed into ‘z-scores’ (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +3. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

