

Eurozone

Eurozone outlook brightens amid broad-based upturn

- Eurozone PMI hits 11-month high in March
- Region seeing best prospects since 2011
- Broad-based upturn, led by Germany and Spain

The pace of eurozone economic growth picked up further speed in March. The headline Markit Composite PMI, measuring growth of manufacturing and service sector business activity, rose from 53.3 in February to 54.0 (down slightly from the flash reading of 54.1). The latest reading matched the prior peak seen in April of last year, signalling a pace of expansion not exceeded since the first half of 2011.

Escape velocity?

Whether the eurozone economy has achieved escape velocity to enjoy a return to a strong and sustainable recovery remains uncertain, but the region is certainly seeing its best growth momentum for four years.

The PMIs are indicating somewhat sluggish GDP growth of 0.3% in the first quarter. However, the important message from the survey is that the pace of expansion looks set to gather pace in coming months.

Inflows of new business are rising at the strongest rate since the spring of 2011, and companies are responding to the upturn in demand by taking on staff to an extent not seen for three-and-a-half years.

Broad-based upturn

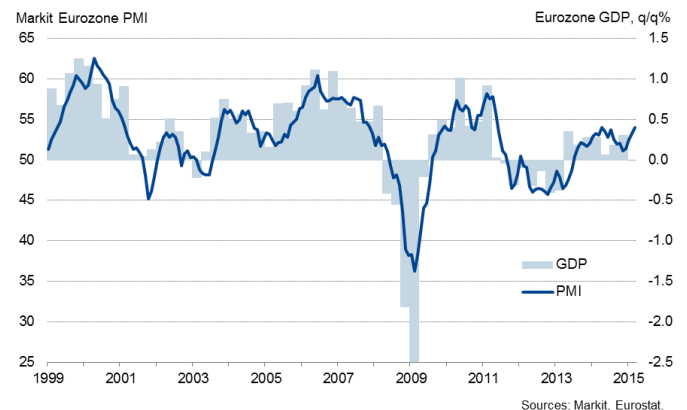
Encouragingly, with France returning to growth, all of the four largest euro nations are now back in expansion, thereby indicating a broad-based upturn which should therefore be more self-sustaining.

The upturn continues to be led by Spain, where GDP looks set to have risen by 0.7-0.8% in the first quarter according to the PMI data, with the pace of expansion having picked up further in March.

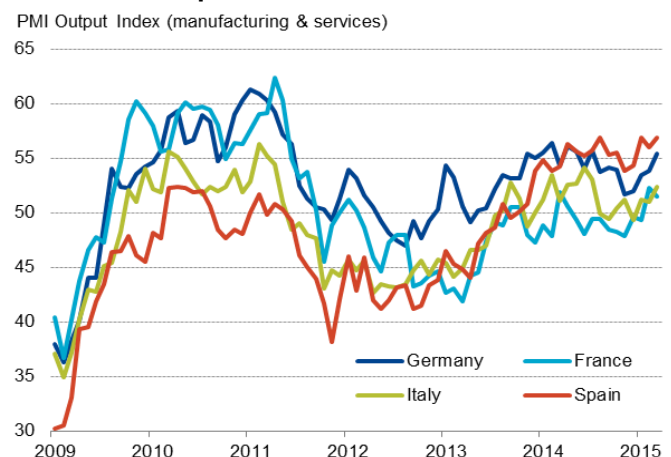
Growth also accelerated in Germany and Italy, hitting eight-month highs in March in both cases. The surveys point to GDP growth of 0.4% in the first quarter in Germany but a more modest 0.1% in Italy.

France was the only one of the big-four eurozone countries to see growth weaken in March, though the PMIs suggest the economy is set to have grown by 0.2% in the first quarter.

Eurozone economic growth and the PMI



Broad-based upturn



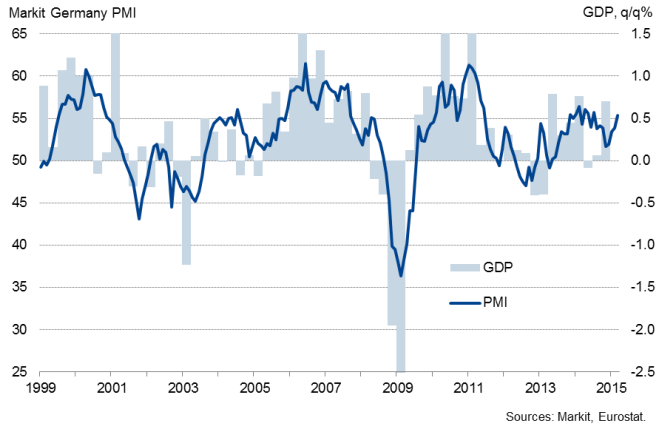
Upward growth revisions

With the ECB's policy of quantitative easing set to also provide a continuing boost to the nascent recovery in coming months, the economic outlook is brightening as we expect to see more upward revisions to growth forecasts for the year.

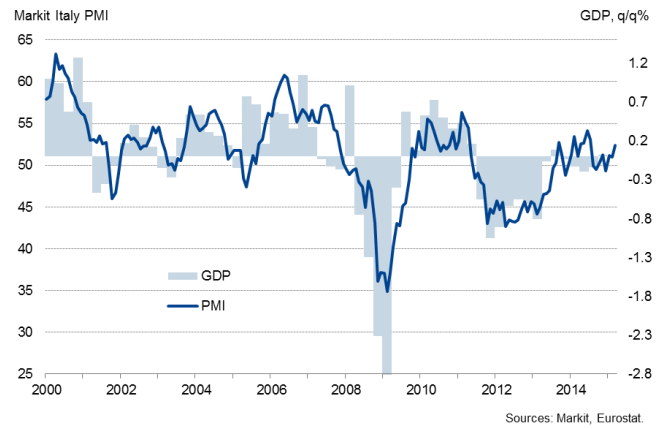
Our current estimate is for a 1.5% expansion of GDP in 2015, but this will be revised higher if the PMI data continue to surprise on the upside in coming months.

An ongoing recovery is no one-way bet, however, with the Greek crisis remaining a critical threat to stability in the region.

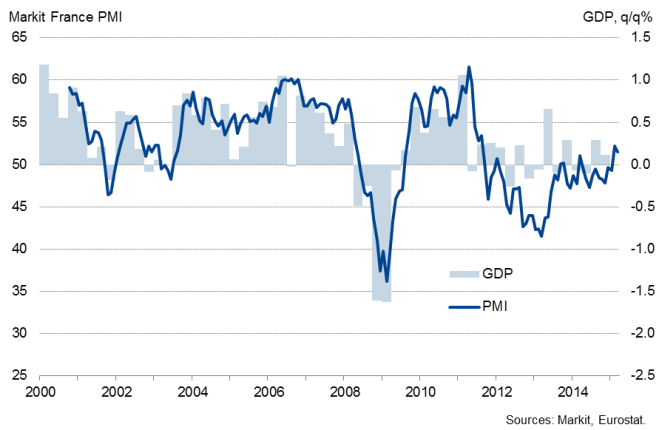
German economic growth and the PMI



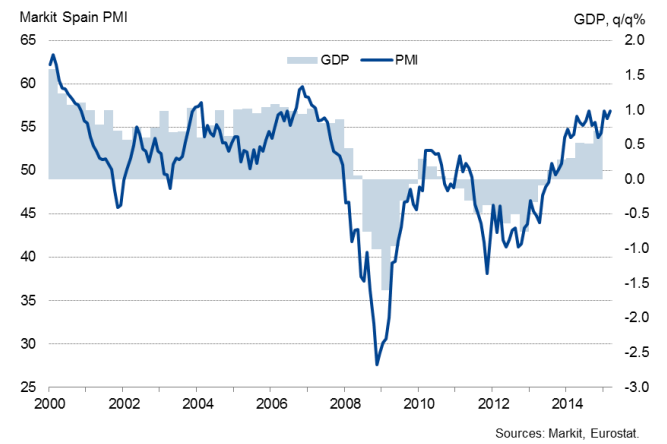
Italy economic growth and the PMI



French economic growth and the PMI



Spain GDP (economic growth) and the PMI



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