

Eurozone economy

Eurozone's economy shows signs of adapting to lockdowns

High-frequency data point to a pick-up in activity last month despite new restrictions in some countries



The World Clock at Alexanderplatz in Berlin. Investor sentiment about the German economy improved sharply in the past month to its highest level for more than a year © Maja Hitij/Getty Images

Martin Arnold in Frankfurt and **Valentina Romei** in London 3 HOURS AGO

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The eurozone's economy is growing more resilient to coronavirus lockdowns, according to figures that show businesses and households are adapting to the latest restrictions and raise hopes that the region's output will hold up better this year than last.

Google mobility data show visits to retail and entertainment venues have increased since January across most eurozone economies, pointing to a pick-up in activity last month, despite fresh lockdowns in many countries including Germany, France and Italy.

Bert Colijn, senior economist at Dutch bank ING, said: "Despite extensions of lockdown measures, high-frequency data already show that the recovery has started."

The jump in mobility is in line with last month's rising [purchasing managers' indices](#) and a brightening of consumer and business sentiment revealed in recent surveys. The uplift "leads us to believe that the Q1 GDP [gross domestic product] decline may be more modest than initially expected," said Colijn.

Investor sentiment about the German economy improved sharply in the past month to its highest level for more than a year, according to the [Zew survey](#) of 178 analysts in the first two weeks of April published on Tuesday.

While confidence about the next few months unexpectedly fell for the first time since November 2020, Zew's president Achim Wambach said expectations were "still at a very high level and the current situation is estimated to be significantly better than in March".

Meanwhile, French economic activity is expected to drop 7 per cent below pre-pandemic levels this month, a much shallower decline than when the first lockdowns were imposed in April 2020, according to a Banque de France [survey](#) of 8,500 companies.

The central bank said higher levels of remote working and improved social distancing rules had helped more companies to keep operating despite the lockdowns, while exporters have benefited from a rebound in global trade.

“We have collectively learned to work with the virus,” François Villeroy de Galhau, governor of the French central bank, told France Culture radio on Tuesday. “In April, activity is declining less than we might have feared.”

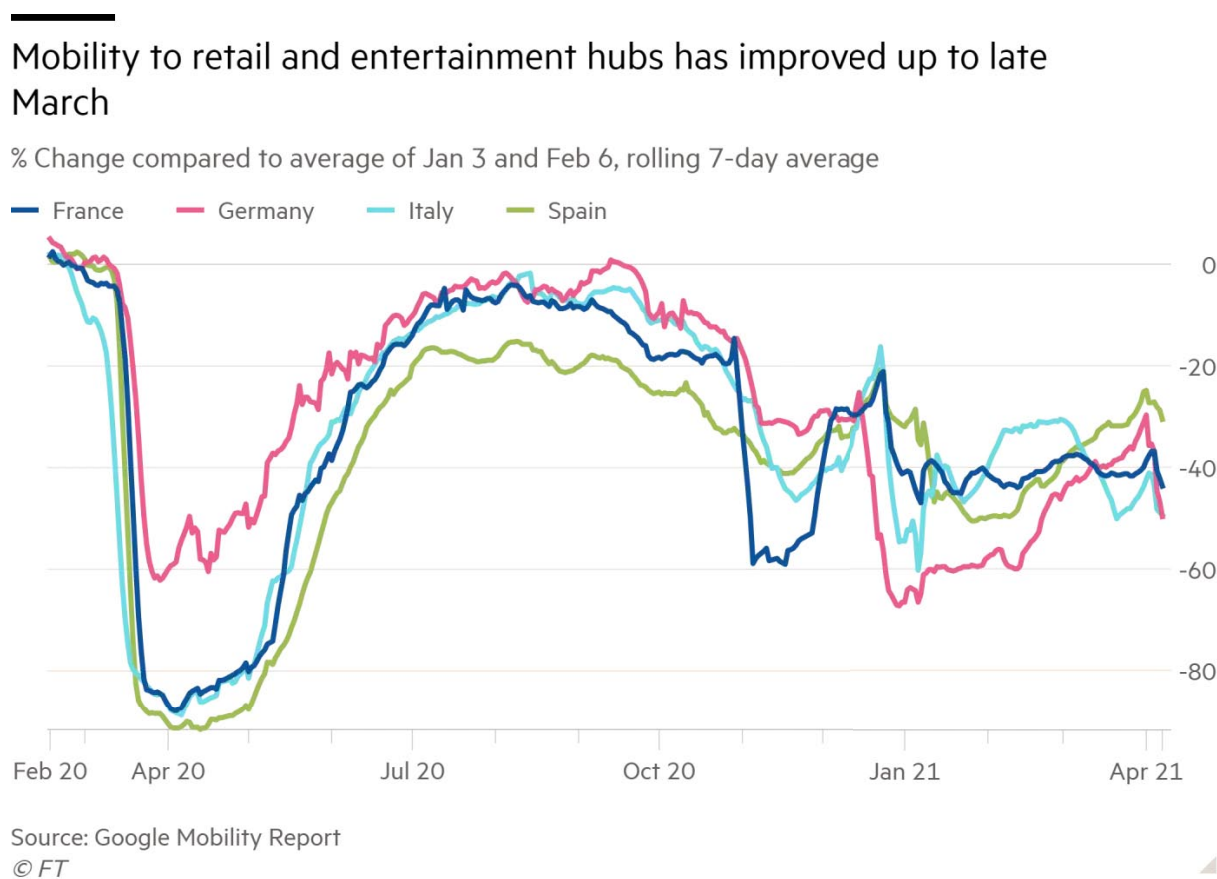
Based on high-frequency data, the central bank estimated the French economy grew slightly in the first quarter compared with the final quarter of last year, when it shrank 1.4 per cent.

While economists have [upgraded growth forecasts](#) for much of the world economy, they are hesitating to do the same for the eurozone, where vaccination rollouts have suffered delays and new lockdowns have been imposed to contain a third wave of coronavirus.

Germany's daily [vaccination rate](#) has doubled to more than 700,000 people in the past week, but the government expects infection levels and hospitalisations to remain high for six to eight weeks, making an extension of the country's lockdown until early

German economic activity fell 0.5 per cent in the three months to April 11, compared with the previous three months, according to a weekly activity index calculated by the country's central bank. That is a much smaller decline than the 9.7 per cent quarterly drop in output suffered after the pandemic hit in the second quarter of 2020.

"I think it's certainly become clear over the past six months or so that the eurozone economy is a lot more resilient to the lockdowns and other virus-related measures than it was a year ago," said Jessica Hinds, Europe economist at Capital Economics.



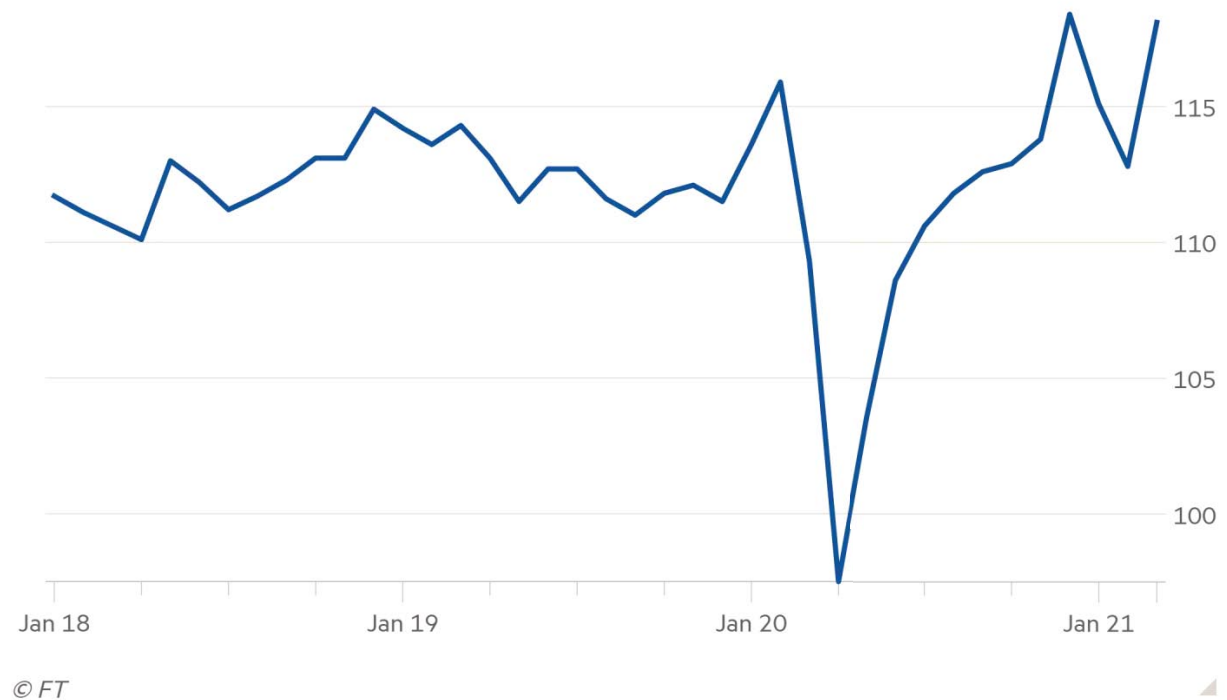
"That largely reflects the fact that the restrictions are much more targeted and also that both businesses and households have at least partly adapted to operating during a pandemic," said Hinds, citing the example of restaurants opening for takeaways and retailers improving their online service.

High-frequency data have been closely monitored through the pandemic for more timely indicators than official measures, but their link to economic activity is still uncertain.

The OECD weekly economic activity tracker, which aggregates information about search behaviour related to consumption, labour markets, housing, trade, industrial activity and economic uncertainty, showed a largely stable picture across all larger eurozone economies in the first quarter.

German truck mileage increased in March

Index, 2015=100



Other indicators such as the value of debit card payments, cash withdrawals and online payments at ING returned to pre-pandemic levels in March, pointing to a rebound in consumption despite the closure of non-essential retailing.

Alternative measures of manufacturing activity also strengthened last month. Mobility to workplaces rose closer to its highest levels since the start of the pandemic before the Easter holiday and German truck mileage rose 4.7 per cent in March compared with the previous month, after declining in January and February in line with official statistics.

Ángel Talavera, head of European economics at Oxford Economics, said its eurozone recovery tracker, based on high-frequency data, showed a rising trend and it “suggests activity strengthened in March”. He expects the eurozone economy to suffer a small decline in the first quarter, but to rebound in the second quarter.

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