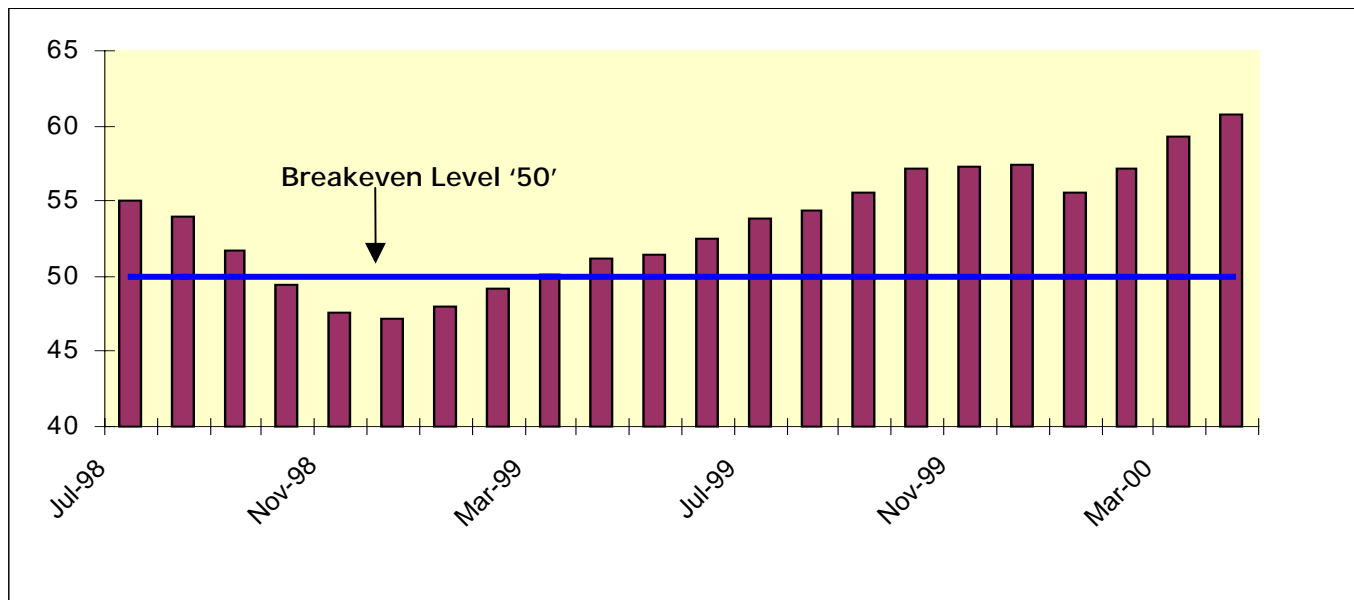


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PMI Underpins Eurozone Recovery Story



Source: Reuters: PMI Survey Data

The euro's rapid decline against other major currencies is not all bad news with eurozone manufacturers enjoying the strongest pace of growth in nearly three years in April as the currency's weakness boosted overseas demand. Also supported by a buoyant domestic economy, the eurozone Purchasing Manager's Index (PMI) climbed to a record 60.7 in April from 59.3 in March. This follows 13 straight months of expansion. Within the eurozone total, France continues to have the fastest rate of growth in manufacturing, followed by Germany, Italy, Austria, Spain and Ireland respectively. The new highs registered by the index reflected strong gains in output, new orders and employment.

Output was raised largely in response to the sustained strength in new orders, but also in order to clear the backlog of work that has arisen as a result of the significant rise in new orders in previous months. The new order index reported strengthening demand from within the eurozone but also from abroad as the weakness of the euro made goods more competitive in many export markets.

In order to expand capacity to meet this increased demand (and prepare for future growth) manufactures again reported that they had to increase staffing levels. Another means by which firms have attempted to prepare for future demand is in the build up of inventories. Stocks of purchases rose again in April to guard against supply shortages and pre-empt further rises.

The increase in activity has resulted in some supply shortages with the index showing a further sharp lengthening in supplier delivery times. In addition to constraints on supply, the low level of the euro also put increased pressure on input prices. The prices' index to 73.7, its highest level in the surveys history.

The results of the survey, increased activity combined with rising price pressures, will increase the pressure on the ECB to raise interest rates again. However, given the weakness in the currency, further increases in interest rates should not overtly harm the positive picture, particularly on the export side.



	Components of Purchasing Managers Index						
	PMI	Output	Jobs	New Orders	Delivery Times	Stock Purchases	Prices
Apr-2000	60.7	63.1	56.1	62.7	35.0	51.5	73.7
Mar-2000	59.3	61.3	54.9	61.9	38.1	51.4	72.4
Feb-2000	57.0	58.6	54.1	57.7	40.6	50.3	70.2
Jan-2000	55.5	57.9	52.9	57.3	43.9	48.5	69.1
Dec-1999	57.4	59.7	53.2	59.4	39.5	49.8	66.2
Nov-1999	57.3	59.8	53.4	59.5	40.5	48.8	65.0
Oct-1999	57.1	59.7	53.0	60.1	42.4	49.3	68.5
Sept-1999	55.5	58.3	52.2	57.9	44.8	48.6	63.3

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Notes on Compliation:

The Reuters eurozone Purchasing Managers Index (PMI) is a composite index based on data from Germany, France, Italy, Spain, Ireland and Austra. Together these account for approximately 86% of eurozone manufacturing activity. A reading above '50' indicates expansion, below '50' contraction