European stocks inch lower as Covid lockdowns cloud growth outlook

European stocks inched lower on Thursday as investors swapped energy and retail stocks with shares of companies seen as safer during heightened economic uncertainty following a new round of coronavirus restrictions in the euro zone.

The pan-European STOXX 600 index slipped 0.1%, with oil & gas stocks falling 1.4% on the back of weaker crude prices.

Global sentiment took a hit after a selloff in Chinese technology shares on worries that they will be de-listed from U.S. bourses, while the number of coronavirus cases in Germany saw the biggest increase since Jan. 9.

European markets have struggled this week despite a surprisingly strong recovery in March business activity.

Investors also looked past a survey that showed German consumer morale improved for the second month in a row heading into April, but a recent decision to extend restrictions clouded the outlook.

"To some extent, these negative COVID-19 developments should be offset by a resilient manufacturing sector and a sizable cyclical rebound in H2 20," Barclays analysts wrote in a note.

"However, there is no question that the recovery in the EU will be at a much slower pace than in the US given these COVID-19 setbacks, but also because its stimulus is far smaller and less cyclical."

Analysts expect euro area to grow by 3.9% this year and the United Kingdom by 4.9%.

Investors will focus on a European Union summit later in the day where leaders will discuss how to speed up vaccinations and whether to block vaccine shipments to countries with higher inoculation rates such as Britain, or which are not sharing doses they produce.

H&M dropped 2.2% after at least one Chinese online retailer appeared to drop its products following social media attacks on the Swedish company for saying it was "deeply concerned" about reports of forced labour in the farwestern region of Xinjiang in China.

Shares of German sportswear firm Adidas, which also came under fire in China, was down 4%.

Cineworld slumped 10.4% after it reported a $3 billion loss for 2020 and said it will ask shareholders to approve a raise in its debt ceiling.

Gains in defensive sectors such as utilities, telecoms and food & beverage, which tend to decouple from the economic cycle, offered some support to the market.

European Market