# RPT-GLOBAL ECONOMY-No light at end of tunnel yet for euro zone

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* Euro zone PMI likely to mark time below boom-bust-line

* Picture dimming even for export powerhouse Germany

* U.S. expected to report 3.0 percent Q1 growth

By Alan Wheatley, Global Economics Correspondent

LONDON, April 21 (Reuters) - An early peek this week at how the euro zone economy performed in April could cement the case for the next installment in an unprecedented campaign of monetary easing by the world's major central banks.

A preliminary survey of purchasing executives from the 17-country bloc is likely to furnish the new evidence of economic weakness that Jens Weidmann, the president of Germany's hard-line central bank, says is needed for the European Central Bank to cut interest rates.

The composite index derived from the survey by data providers Markit is likely to be unchanged at 46.5, well below the 50 threshold denoting expansion.

The euro zone economy, in short, remains dead in the water.

"We need more monetary stimulus. What that means to me is lower interest rates," said Mark Zandi, chief economist at Moody's Analytics.

Weidmann is among those who believe the ECB's exact stance matters less than the fact that monetary policy is not being transmitted to all corners of the euro zone.

Borrowing costs on the struggling southern rim are thus much higher than in countries at the euro's core.

Zandi agreed that cutting the ECB's main 0.75 percent policy rate would not revive lending by banks, which badly needed strengthening. But lower interest rates would weaken the euro.

That would help exports, especially in Germany, which in turn was key to preserving popular support for emergency measures to stop the euro from breaking up, Zandi argued.

"The most important thing for keeping the euro zone together in the very near term is to make sure that the German economy remains solid and that unemployment remains low. You need the German population to be committed to the euro zone," he said.

EXPORT HEADWINDS

Germany's export-orientated economy has held up better than most of its euro zone peers, but a monthly business survey by the Munich IFO economics institute is likely to show a dip, according to economists polled by Reuters.

"When you look at the latest signals from China and the United States, the export growth prospects of German companies have deteriorated significantly," said Tobias Blattner, an economist with Daiwa Capital Markets in London.

As such, the ECB would be paying close attention to the latest purchasing managers' indexes not just from the euro zone but from the bloc's main partners. On a trade-weighted basis, these have fallen in the past couple of months.

Blattner expects a rate cut at May's ECB meeting. Although most ECB policymakers doubt it would make much difference, he said the symbolism would fan expectations of additional, less conventional steps to spur lending to the periphery.

"They all know that it needs to be accompanied, at the same time or possibly a month later, by some further non-standard measures," he said. "That's important. You cut rates and people say the next step must be something that will have an impact."

QUESTION MARKS OVER U.S. GROWTH

A pair of unexpectedly soft regional Federal Reserve surveys last week reinforced the view that yet another spring slowdown - the fourth in as many years - is unfolding in the United States.

That prospect is likely to take the shine off what promises to be a robust first-quarter GDP report on Friday.

Economists polled by Reuters expect the economy to have expanded at a 3.0 percent clip, up from 0.4 percent in the last three months of 2012, despite the drag of higher payroll taxes and looming across-the-board cuts in federal spending.

The consensus on Wall Street is for full-year growth of around 2 percent, but Jason Ware, chief analyst at Albion Financial Group in Salt Lake City, is pencilling in an outcome closer to 2.5 percent.

"The economic pick-up, combined with sustainable gains in housing and business investment, should help propel the expansion through these government budget cuts that we're going to be dealing with," he said.

After a puny 88,000 increase in non-farm jobs in March, Ware expects the monthly pace of hiring to climb back to a range of 150,000 to 200,000.

The other big U.S. growth driver will be housing. The annual rate of housing starts jumped 7 percent in March to more than 1 million - a figure Ware called 'mind-boggling' given the depths from which the market is recovering - and sales of both new and existing homes are expected to post increases this week.

"Hiring and housing is the story so far," Ware said. "Those two events together help to repair household finances and that makes us reasonably sanguine about the outlook for the rest of the year."