

Snap | 22 August 2019

A small win for the Eurozone as PMI ticks up

Small wins should be celebrated. A small uptick in eurozone's August PMIs from 51.5 to 51.8 is somewhat a relief today as analysts had expected a further slide. If nothing else, at least it indicates that the economy is unlikely to have slipped into negative growth halfway through the third quarter



Source: Shutterstock

As recession concerns dominate headlines and downside risks are still increasing, small wins should be celebrated. The small increase in August PMIs is a small win, but at least it indicates that the eurozone economy is unlikely to have slipped into negative growth halfway through the third quarter. The picture remains more or less unchanged, with slow growth thanks to a sluggish manufacturing sector and service sector strength that keeps the economy growing.

The glass will be half-full for those that are concerned about negative output growth in the third quarter

While the manufacturing sector continues to contract according to the survey, the contraction did become somewhat softer as the output index increased from 46.9 to 47.8 in August. France remains a positive exception for the moment with manufacturing output still growing, but overall the manufacturing sector continues to be the Achilles heel of the region. New orders continue to be dampened by weak demand from abroad.

Concerns about manufacturing weakness spreading to the service sector haven't seemed to materialise in August. The service sector saw its PMI increase from 53.2 to 53.4, indicating that the divergence between the two sectors continues well into the third quarter. As hiring seems to slow, the outlook for the service sector does seem to look less bright.

The August PMI confirmed an ongoing slow-growth environment. The glass will be half-full for those that are concerned about negative output growth in the third quarter. For those that see the downside risks for the winter months increasing though, the confirmation of the slow pace of growth is enough to remain concerned.

Author

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.