

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.

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