

Snap | 22 August 2024

## Eurozone PMI picks up in August amid Olympics boost

The composite PMI increased from 50.2 to 51.2 from July to August, mainly due to a jump in French services activity. The underlying data still looks weak enough for the ECB to seriously consider another rate cut in September



Outside of the jump in French services, today's PMI does not give much reason to think that there is a pickup in growth happening across the eurozone

The August PMI is more difficult to interpret than usual as French services activity has been boosted by effects from the Olympics. The upbeat services sector in France bolsters the entire bloc's performance. Meanwhile, eurozone manufacturing continues to resemble Germany's performance at the Olympics: a big disappointment. The services PMI increased from 51.9 to 53.3, while manufacturing saw the output PMI index well into contraction territory at 45.7 and new orders declining again.

The eurozone had started the year on an upbeat note, with GDP growth surprising to the upside in the first and second quarters. But hopes of a fast recovery seem premature. Recent survey data has been in line with slowing growth and outside of the jump in French services, today's PMI does not give much reason to think that there is a pickup in growth happening. We are therefore cautious to upgrade our view of the eurozone economy on the back of this PMI reading.

When it comes to inflation expectations, the PMI did flag an increase in selling prices reported by

businesses, but also a continued drop in input prices was reported. The latter means that pipeline inflation pressures are weakening, which matters for the European Central Bank as it sets policy for the medium term. With the September meeting coming up, a lot of focus will be on the wage data released later this morning. But the PMI is not unimportant and provides little reason for hawks to object against a September cut.

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