

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.

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>.