Eurozone PMI declines in September with exports the main culprit

Export orders are stagnating in the eurozone and the coming months will continue to be bumpy as a deal on Brexit seems far away after Salzburg and the global trade conflict continues

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After the pronounced drop in 1Q, the PMI has now seen readings between 54 and 55 for the past five months, which means that the economy seems to be adjusting to a lower cruising speed with the service sector as the main engine for growth on the back of strong a labour market. We expect growth to come in at 0.4% quarter-on-quarter for the coming quarters, but downside risks to our outlook are mounting.

Those downside risks are mainly felt in the manufacturing sector. Eurozone industry continues to struggle with the global trade uncertainties coming from an imminent Brexit and the escalating global trade conflict. The Salzburg summit has shown that the EU and the UK are still far apart, with the EU rejecting the UK's Brexit plans.

While the US-EU dispute has been contained, uncertainty stemming from the global unrest continues to weigh on European manufacturers. Large emerging trade partners are struggling with depreciated currencies, limiting European export potential. Export orders have been taking a hit according to the PMI, having the biggest impact on larger exporters like Germany.

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