

Snap | 24 October 2019

Eurozone PMI verdict: Economy still close to stagnation

No, things are really not getting any better yet. Slight improvement in October PMIs can't mask the fact that growth has almost stalled. The overall picture is one of a feeble economy



ECB President, Mari Draghi

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The composite PMI was almost unchanged at 50.2 after 50.1 in September. This means that output is growing at a snail's pace at the moment, according to the survey.

The manufacturing sector remained in contraction as new orders continued to fall. A slight improvement in the services PMI was the green shoot that optimists were looking for, with the index now at 51.8. What remains concerning is that new business is still slowing for the service sector.

The difference between France and Germany remains large. France started the fourth quarter on a strong footing with an increase in headline from 50.8 to 52.6 and improvements in both manufacturing and services. Germany is a different story and continues to be at the heart of European weakness. The downturn in manufacturing abated slightly in October, but the service sector worries have increased. The German composite PMI increased from 48.5 to 48.6, indicating a contraction in the economy at the start of the fourth quarter too.

The overall picture is one of a feeble eurozone economy ahead of a few decisive months. The service sector is keeping GDP growth in positive territory for the moment, but growth could easily tip into the negative territory if some of the downside risks materialise. The ECB has already put a lot of chips on the table to counter this slowdown, but with Mario Draghi's final press conference today it will be up to his successor Christine Lagarde to decide whether the ECB will go all-in if things deteriorate even further from here.

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