

## Eurozone PMI slows markedly in August

The composite PMI declined from 54.9 to 51.6 in August, indicating that the fast start to the recovery is slowing over the summer months. Positive effects from reopening economies are fading out in the service sector, confirming that the recovery will not be V-shaped.



Source: Shutterstock

The mechanical recovery from the lockdown period is getting closer to an end as the PMI reports a slowdown in the growth pace. As most lockdowns were significantly eased at the end of April and broadening in May, it was to be expected that this would happen at some time over the summer. While still corresponding to significant growth, the PMIs point to a weakening in the recovery driven by the service sector, as manufacturing output growth accelerated further in August.

The drop in the services PMI from 54.7 to 50.1 was much larger than expected. This reading corresponds to a stalled recovery in services output, showing that the economic recovery is still clouded by uncertainty. That was also reflected in the employment component of the PMI as businesses across sectors indicate that they are still laying off workers. This indicates that the so far muted increase in unemployment can be expected to continue for quite some time. The bright spot in today's numbers comes from the manufacturing sector. Initially lagging services in the post-lockdown recovery, it is currently picking up steam. The output index increased from 55.3 to

55.7 and new orders saw strong increases.

Of course 3Q GDP growth numbers will be very positive as it measures against an artificially low base of a locked down economy. Far more relevant will be the level of activity that will be reported. As reopening effects are becoming smaller over the course of the quarter, we will already get a decent idea of the gap between economic activity now and pre-virus. This will likely show that a V-shaped recovery is not in the making despite very strong quarter-on-quarter growth figures.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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 [www.ing.com](http://www.ing.com).