

Eurozone PMI ticks up in August

The eurozone PMI increased marginally from 54.3 to 54.4 in August, confirming a solid pace for the eurozone economy in 3Q



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The PMI indicated output growth in both industry and services, but the economy has not yet got a second wind. New orders continued to grow, albeit at a slower pace. Job growth continues to be the positive highlight for the eurozone economy, with service sector businesses maintaining significant job growth.

While Germany and France showed surprising improvements in their PMIs, the overall eurozone figure increased by just 0.1. This suggests that the periphery performed rather poorly in August, which will be confirmed in a later release.

Eurozone GDP is still set for decent growth in the second half of the year of around 0.4% quarter-on-quarter, as domestic demand should continue to drive the economy forward. Still, concerns about activity in the coming months remain. While the meeting between European Commission President Jean-Claude Juncker and US President Trump has brought the trade conflict into calmer waters, businesses have not taken that as a reason to be optimistic. Expectations about growth in the coming months have been cooling, which could hurt investment and hiring plans.

For the ECB, this week has been a mixed bag of data. With the QE programme planned to end if

the ECB's own expectations are confirmed, the central bank needs to see some improvement in wage growth and inflation. Yesterday showed a jump in wage growth from 1.7% in 1Q to 2.2% in 2Q. Today's PMI was somewhat more difficult to interpret, indicating that businesses have been increasing selling prices significantly, but the pace of increases has been the slowest in three months.

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