

ECONOMIC NEWS

European PMIs Fall Again

By Francis Généreux, Principal Economist

HIGHLIGHTS

- ▶ The eurozone's preliminary composite Purchasing Managers' Index (PMI) edged down again, from 48.9 in August to 48.2 in September, its lowest level since January 2021. The decline came from both services (from 49.8 to 48.9) and manufacturing (from 49.6 to 48.5).
- ▶ The composite index was up in France (from 50.4 to 51.2), but continued to move lower in Germany (from 46.9 to 45.9).
- ▶ Meanwhile the UK composite PMI slid a bit further below 50, from 49.6 to 48.4, also the lowest level since January 2021. The decline was led by services (from 50.9 to 49.2), with the Manufacturing PMI posting an advance (from 47.3 to 48.5).

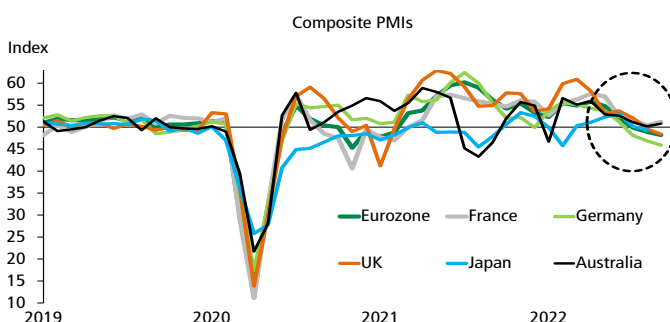
COMMENTS

September's lower PMI data is consistent with the trend we've seen since the start of the war in Ukraine. But the major indexes didn't dip below 50 (signalling an economic slowdown) until this summer. In Europe, the PMIs have been falling alongside consumer confidence and other indicators. Taken together, the numbers point to a worsening economic outlook. Germany and the UK have had some of the biggest composite PMI declines of late. Both are expected to post relatively sharp drops in real GDP in the coming quarters. The unexpected uptick in France's composite PMI suggests its economy is holding up better, in part because it's less dependent on Russian energy.

IMPLICATIONS

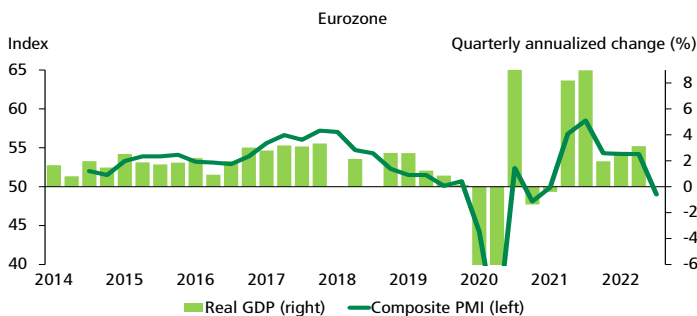
Today's lower PMI figures suggest that economic growth will continue to slow and that a recession is looming in many European countries. But despite the economic downturn, high inflation will force the European Central Bank and the Bank of England to continue tightening their monetary policy.

GRAPH 1
Germany's composite PMI has slid the most



Sources: IHS Markit, Datastream and Desjardins, Economic Studies

GRAPH 2
Falling PMIs point to lower real GDP in the eurozone



Sources: IHS Markit, Eurostat and Desjardins, Economic Studies