

## ECONOMIC NEWS

# The PMI Indexes Are Edging Closer to the 50 Mark... and in Some Cases Exceeding It!

### HIGHLIGHTS

- ▶ The euro zone's preliminary PMI composite index is up again. It went from a record low of 13.6 in April to 31.9 in May and 47.5 in June. The gain owes more to the service sector (from 30.5 to 47.3) than to manufacturing (from 39.4 to 46.9).
- ▶ The composite index went over the 50 mark in France (from 32.1 to 51.3). The increase was more modest in Germany (from 32.3 to 45.8).
- ▶ For the United Kingdom, the PMI composite index also approached the 50 mark, but without reaching it, going from 30.0 to 47.6.
- ▶ In the United States, the PMI indexes (which differ from the ISM indexes) also improved. The composite index climbed from 27.0 in April to 37.0 in May and 46.8 in June.

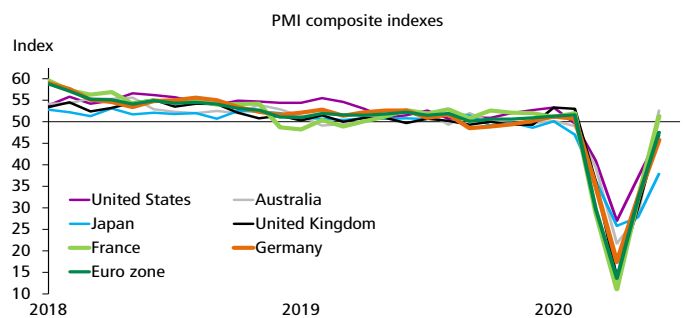
### COMMENTS

The drops in the PMI indexes in March and especially April were among the first indicators to show the scope of the economic crisis tied to the COVID-19 pandemic. Since May, these indexes are now showing that the situation is slowly turning around. However, results above the threshold of 50—which theoretically differentiates between growth and contraction of activity—are still rare. It is surprisingly France, where the lockdown measures were among the longest and most severe, that is recovering the best. The German manufacturing sector, which also improved (the PMI went from 36.6 in May to 44.6 in June), is still dragging its heels. The weakness in the global economy and world trade is still a burden for German industry, which is especially dependent on international markets.

### IMPLICATIONS

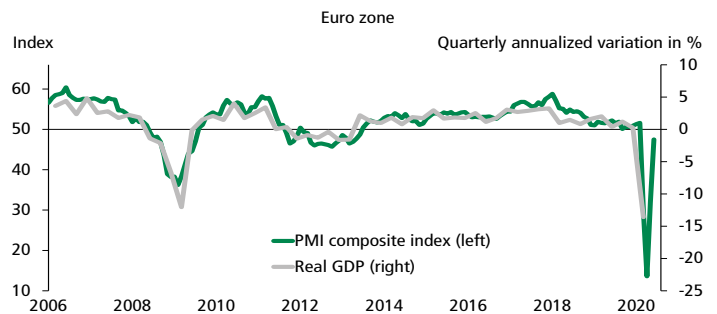
The improved PMI indexes show that the global economy is just about to start growing again. Most economies will still see their

**GRAPH 1**  
PMI indexes are improving



Sources: IHS/Markit, Datastream and Desjardins, Economic Studies

**GRAPH 2**  
Euroland PMI index suggests that growth is slowly picking up



Sources: IHS/Markit, Eurostat and Desjardins, Economic Studies

real GDP plummet in the second quarter, but activity should pick up in the third quarter, with variable vigour depending on the country.

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