

The NewsLine

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EMU

Solid upward trend

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The purchasing managers' indices (PMIs) published today point towards a continued - albeit unspectacular - economic recovery in the euro area. While the drop in oil prices should actually be having the same effect as an economic stimulus program, the concerns over the global economy that come hand-in-hand with these lower prices are keeping a handbrake on development.

The combined PMI for the eurozone's industrial and service sector rose slightly to 54.1 points in August, putting it just ahead of the average level witnessed in the second quarter. The positive development is being driven not only by Germany, but also by the other countries covered by the survey; according to today's publication, France did not contribute to the trend. The results show that the eurozone economy is on the right track, even if the upward trend is not pronounced enough to kindle real enthusiasm on the financial markets. We expect to see EMU economic growth of just under 1.5% in 2015. The drop in oil prices is not having the full effect of an economic stimulus program because there is still considerable uncertainty originating from various sources (emerging markets, commodities, European elections, etc.) at the same time, which is having a negative impact on the mood among economic players and stifling their activity in some cases.

The German composite index edged up slightly to 54 points in August. The improvement is thanks to a marked increase in the PMI for the industrial sector (which has climbed to the highest level seen in more than a year), while the PMI for the service sector dipped slightly. Despite the current concerns over the global economy, incoming orders for goods exports showed the most dynamic development seen over the past year and a half. After gross domestic product improved by less than 0.5% q-o-q in the first and second quarters of

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this year, today's data supports our view that German economic growth will pick up in the second half.

In France, the purchasing managers' index for the industrial and service segment has fallen slightly again to 51.3 points, after dropping considerably in July. One particularly negative aspect in comparison to Germany is that the PMI for the industrial sector has slid to below the 49-point mark. The French composite index for July/August is below the average for the second quarter, but above the average for the first quarter. By way of comparison: GDP stagnated in the second quarter after making considerable gains at the start of the year, when it grew by 0.7% q-o-q. Looking ahead to the third and fourth quarters of 2015, we expect to see a pace of growth in line with the average for the first half, i.e. GDP growth rates of around 0.4% for both quarters. As a result, we are sticking to our forecast of 1.2% growth for the French economy in 2015 as a whole.