

Is Europe's recovery already over?

France: a resilient economy

France's services PMI recovered to 50.7 in July (48.8 in June), reported S&P Global. However, France's manufacturing PMI fell to 44.1 in July (45.3 in June), the strongest rate of contraction for six months.

As for the PMI global composite index, it stood at 49.5 in July, its highest level for three months, after 48.8 the previous month.

However, new contracts registered by French companies questioned in the survey fell in July, mainly in manufacturing, where the contraction accelerated during the month.

The improvement in France's global PMI index was driven by the services sector, which returned to growth.

Activity among service providers is back on the rise, boosted by preparations for the Olympic Games.

The job market also expanded for the sixth consecutive month, thanks exclusively to job creation in the service sector.

Number of the week

50,1

Euro Zone Composite PMI
(July)



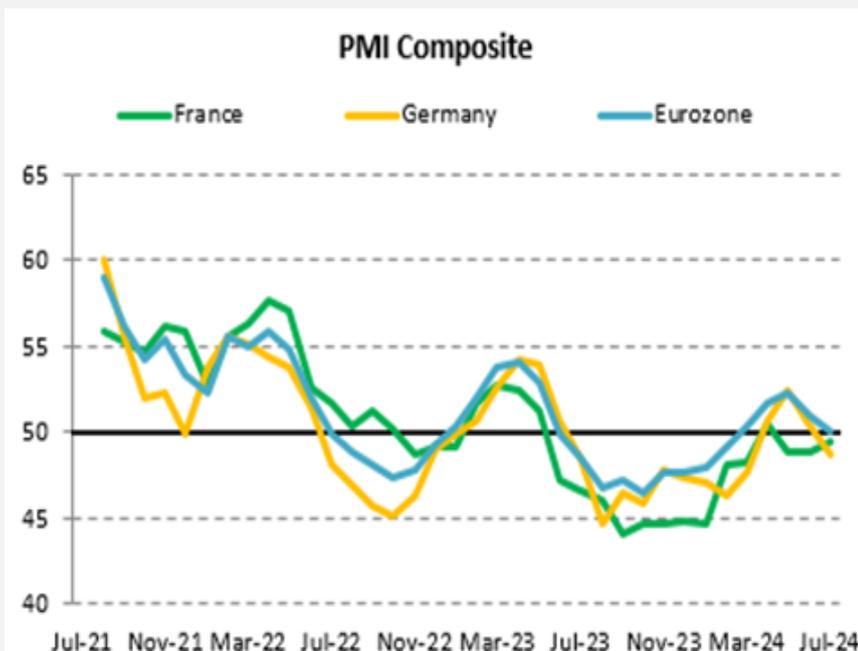
Euro Zone: PMI index below expectations

Private sector activity in the Euro Zone fell in July to its lowest level for five months.

The composite PMI index fell to 50.1, signalling near-stagnation and raising concerns about the momentum of the recovery.

This decline is due to a slowdown in the service sector and a contraction in the manufacturing sector. The PMI indices for these sectors fell from 52.8 to 51.9, and from 45.8 to 45.6 respectively, their lowest levels for four months.

The stagnation of economic activity was reflected in weakening demand. New orders fell for the second month running, and business confidence hit a six-month low, leading companies to suspend hiring plans initiated earlier in the year.



The composite PMI index for manufacturing and services shows a deceleration in activity in the Eurozone. The decline mainly affected the manufacturing sector.

Source : Amundi, Bloomberg

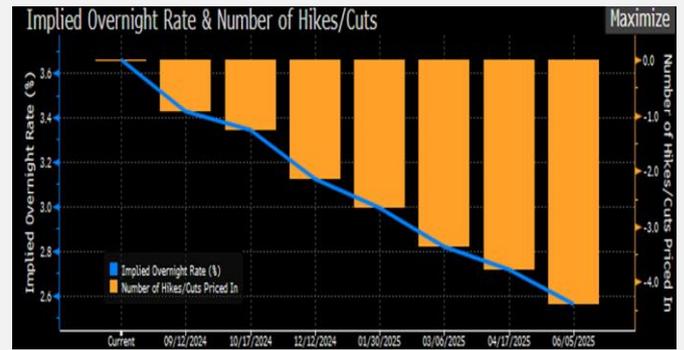


ECB: looking forward to September

The ECB's next economic forecasts, to be published in September, will be the "most important" factor in determining whether inflation is approaching its target, Luis de Guindos said on Tuesday.

"In September, we will have more information and, above all, new macroeconomic projections, which will enable us to better reassess the monetary policy situation," he added.

However, he warned that inflation until the end of the year "will remain at current levels", while expressing confidence that the disinflation process will continue from the beginning of next year, given the good momentum of wages.



Les marchés anticipent à plus de 90% une baisse des taux de la BCE en septembre.

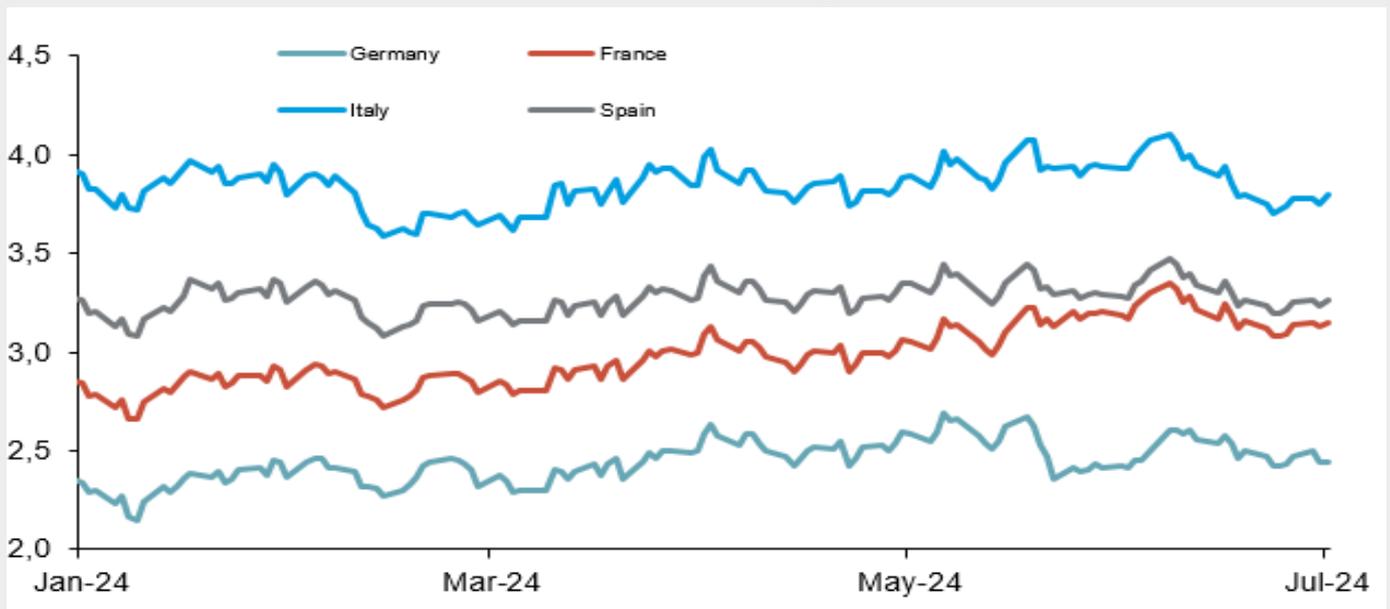
Source : Amundi, Bloomberg

September will be a better time to decide on interest rates

Luis de Guindos, Vice-President of the ECB, 23 July 2024

Market Impact

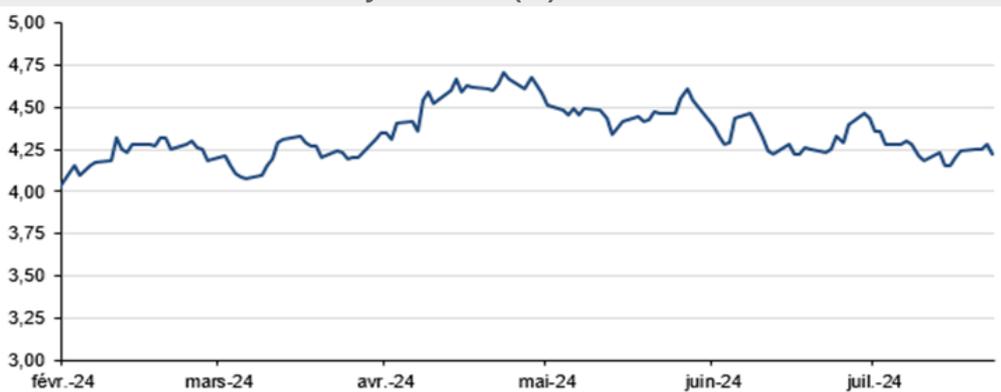
European 10-year sovereign rates (%)



10-year yields have widened overall, with the German 10-year at 2.44% (+1 bp), the French 10-year at 3.14% (+2 bp), the Italian 10-year at 3.79% (+5 bp) and the Spanish 10-year at 3.25% (+3 bp).

Source : Amundi, Bloomberg

US 10-year rates (%)



US 10-year yields tightened slightly to 4.2% (-2 bp)

Source : Amundi, Bloomberg



Consumer spending still seems to be driving US growth

In the United States, retail sales were much stronger than expected in June. They rebounded strongly from May, which was already better than the previous month. This clearly undermines the idea of a marked deceleration in demand that seemed to be taking shape in the second quarter of 2024.

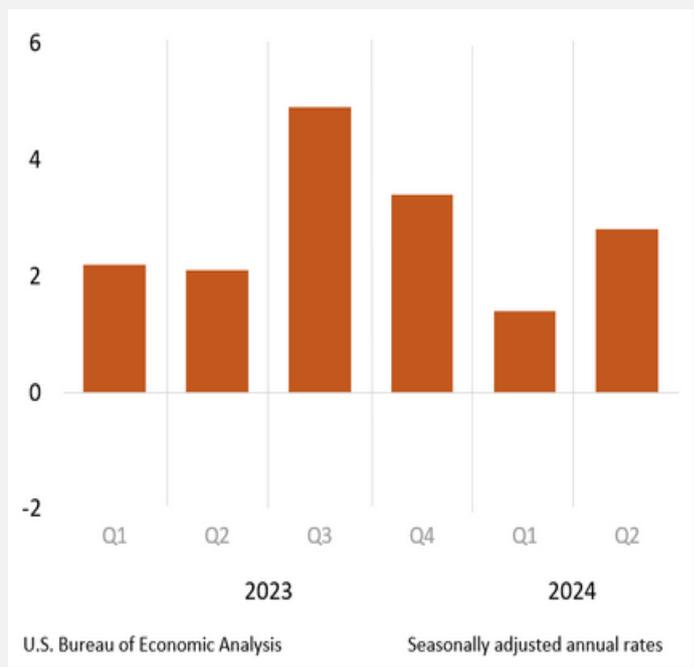
Consumption thus appears to remain one of the key drivers of US economic expansion.

This rise in consumption of goods also reflects a slowdown in inflation, with energy prices falling over the last two months, thus restoring purchasing power to households.

At this stage, the robustness of this consumption figure should moderate the Fed's fears of a sharper-than-expected deceleration in demand, due in particular to a weakening job market.

US consumer momentum could delay Fed monetary policy easing.

US GDP trend



Source : Bureau of Economic Analysis

Actualité



▶ **USA** | Q2 GDP at 2.8%.

▶ **Germany** | Business climate down to 87 (July)

Agenda



▶ **31 July** | FOMC meeting

▶ **31 July** | Release of Euro Zone inflation figures (July)

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