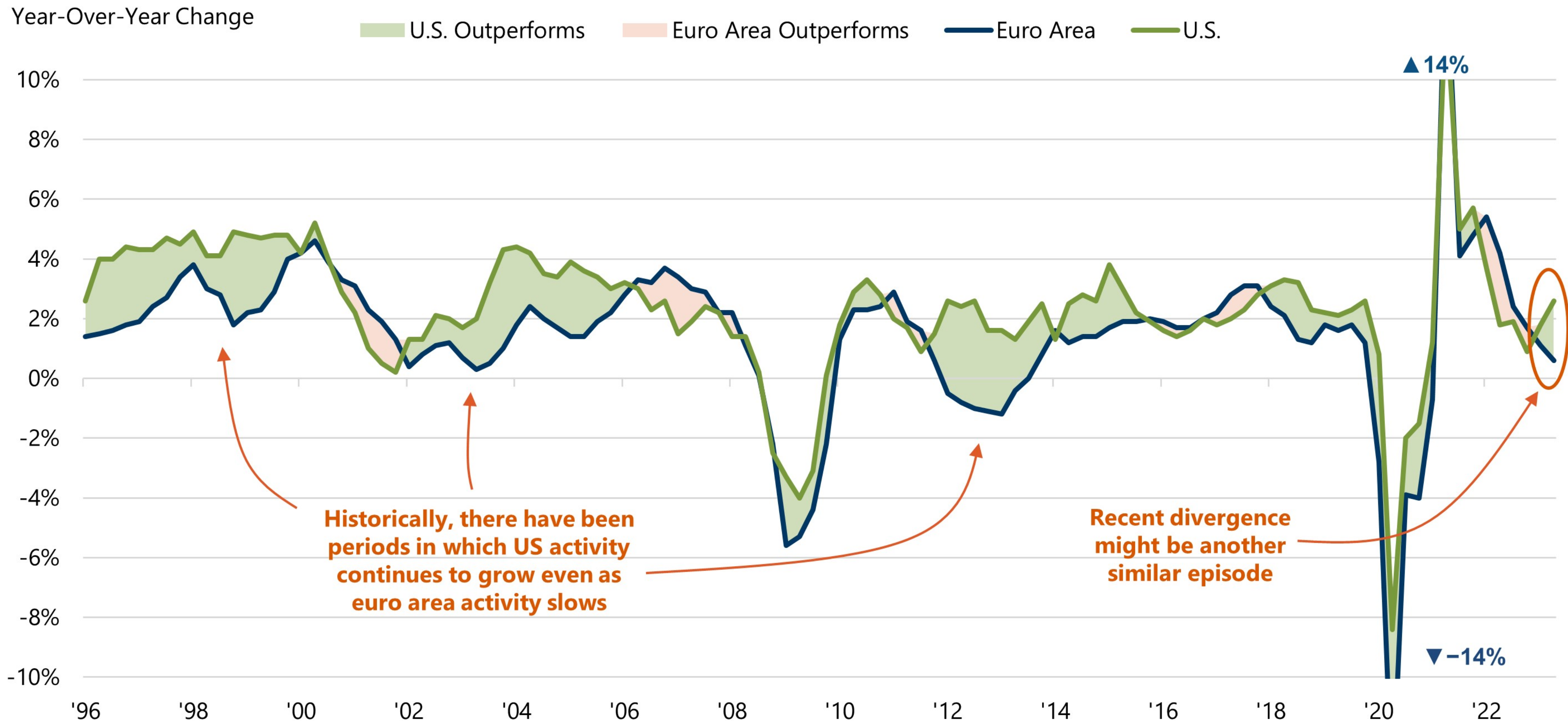


Forking Paths

U.S. Versus Euro Area GDP Growth

For The Week Ending 08/25/2023



Source: Bureau Of Economic Activity, European Statistical Office

In a light data week with all eyes on the Kansas City Fed’s annual Jackson Hole gathering, market attention turned to global purchasing manager survey data released this week for August by S&P Global. Most market commentary noted the divergence between the U.S. economy and the euro area and that the services sector of euro area economies has slipped into negative territory. US Composite PMI remained at 51 while the euro area PMI slowed to 48.6. Some commentators worry the U.S. will follow Europe. We’re skeptical. First, economic activity has often diverged between the U.S. and Europe. In the early 2000s, the 2010s, and again in 2018-2020s, European weakness did not beget U.S. economic contraction. Second, PMIs are not infallible. Most recently, the composite PMIs completely misled U.S. investors in 2022-23—composite PMIs indicated contraction between July 2022 and January 2023, yet U.S. GDP growth accelerated!