

# Europe Flash

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Economic Analysis

Europe Unit

**Miguel Jiménez González-Anleo**  
Chief Economist  
mjimenezg@bbva.com

**Agustín García Serrador**  
Senior Economist  
agustin.garcia@bbva.com

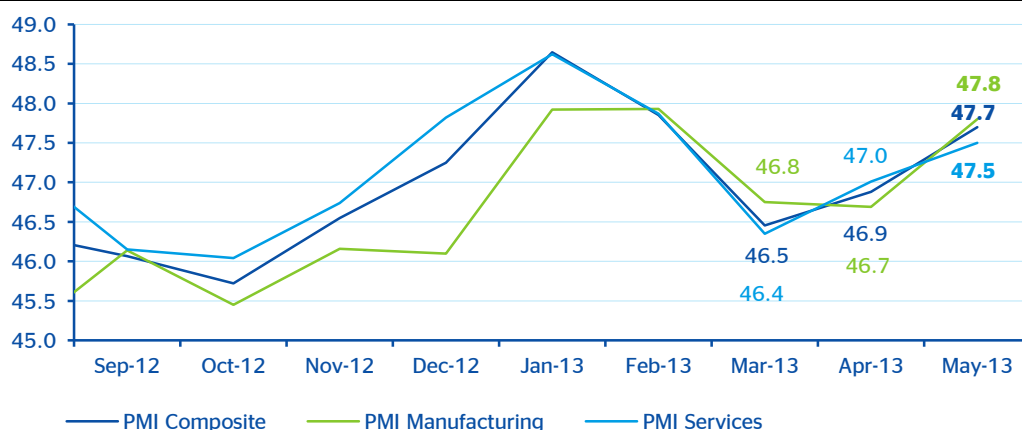
**Sonia López Senra**  
Economist  
sonia.lopez.senra@bbva.com

**Diego Torres Torres**  
Economist  
diego.torres.torres@bbva.com

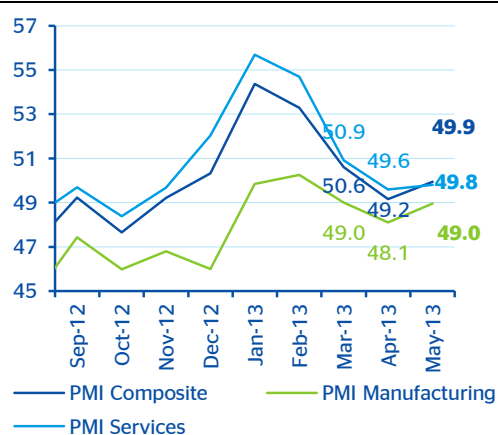
## Eurozone PMIs increased in May for the second month in a row

Partly offsetting the setback in March and April

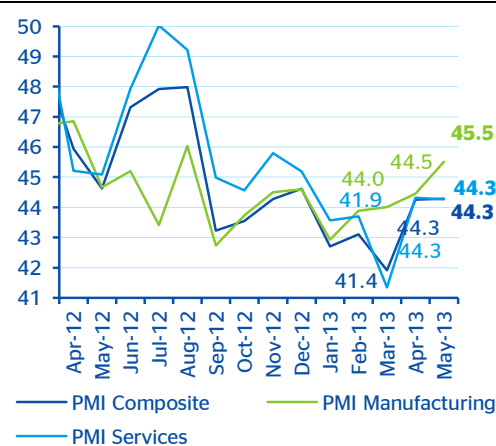
- **The eurozone PMIs improved in May by 0.8 points to 47.7**, above expectations (BBVA Research: 47.3; Consensus: 47.2), driven by a better performance in both manufacturing (+1.1 to 47.8; BBVA Research: 46.8; Consensus: 47) and services (+0.5 to 47.5; BBVA Research: 47.4; Consensus: 47.2). However, May figures remained below 50, suggesting that the recovery is not yet assured.
- **Forward components of both manufacturing and services, in particular new manufacturing orders and incoming new business in services, suggest that foreign demand will continue to support exports** and remain as the main driver of growth in coming quarters, while subdued domestic demand is likely to continue to weigh on economic growth. All this is line with our scenario, though our projections envisage a slight GDP growth in the current quarter which is not ensured yet, to gain some traction in the second half of the year.
- **The German PMI composite increased by 0.7 points to 49.9 in May**, but the index remains below the 1Q13 average (52.8), after lower than expected growth in early 2013 (+0.1% q/q). Across components, the index for services increased slightly by 0.2 to 49.8 (BBVA Research and Consensus: 50), while the improvement in manufacturing was larger than expected, by 0.9 to 49 (BBVA Research: 48.2; Consensus: 48.5).
- **France, meanwhile, remains unchanged at the weak level of the previous month (44.3), above the observed figures in the first quarter of the year, but still far below the 50 point threshold.** The manufacturing index has increased this month by 1 point (45.5 from 44.4 recorded in April), recording the highest value of the last 8 months and surprising to the upside (BBVA: 44.5, and Consensus: 44.7), while the service sector index remains unchanged at 44.3 in line with expectations (BBVA 44.6 and Consensus: 44.5)
- **Summing up, these figures provide some hope as they are better than expected**, though they suggest that behind the delayed recovery in the eurozone lies the deterioration in the core countries, while the downturn in the periphery, according to Markit's press release, could have continued moderating, in line with our projections.

Chart 1  
**Eurozone PMIs**


Source: Markit Economics

 Chart 2  
**Germany PMIs**


Source: Markit Economics

 Chart 3  
**France PMIs**


Source: Markit Economics

 Table 1  
**Purchasing Manager's Index**

CC	Indicator	April	May	BBVA	Consensus
Eurozone	PMI Composite	46.9	47.7	47.3	47.2
	PMI Manufacturing	46.7	47.8	46.8	47.0
	PMI Services	47.0	47.5	47.4	47.2
Germany	PMI Composite	49.2	49.9	-	-
	PMI Manufacturing	48.1	49.0	48.2	48.5
	PMI Services	49.6	49.8	50.0	50.0
France	PMI Composite	44.3	44.3	-	-
	PMI Manufacturing	44.4	45.5	44.5	44.7
	PMI Services	44.3	44.3	44.6	44.5

Source: Markit Economics

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