

Europe Flash

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Economic Analysis

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Flash Eurozone PMIs surprised on the upside suggesting that growth will continue in 3T13

- **Flash Eurozone PMIs, led by Germany, has increased for the fifth consecutive month consolidating in levels associated to economic growth**

The Flash estimate for the PMI composite indicator in the Eurozone increased by 1.2 points to 51.7, slightly higher than expected (BBVA Research: 51.3; Consensus: 50.9), driven by a widespread improvement across sectors. The Flash PMI Manufacturing increased by 1 point to 51.3, surprising on the upside (BBVA Research: 51.1; Consensus: 50.8). The Flash PMI Services improved by 1.2 points to 51, again higher than expected (BBVA Research: 50.3; Consensus: 50.2). This figure marks the fifth consecutive month of growth, which holds it in levels above 50 points and enables it to be situated in mid-2011 levels. The upward trend, along with other indicators, show an encouraging Outlook that are in line with our scenario that envisages a positive GDP growth in 3Q13. These data are driven by Germany, while extending the improvements of confidence to the rest of the Eurozone. Basically an improvement in the expectations of foreign sales to the countries of the periphery and the robustness of domestic demand for the core countries, especially Germany, are the factors behind this improvement.

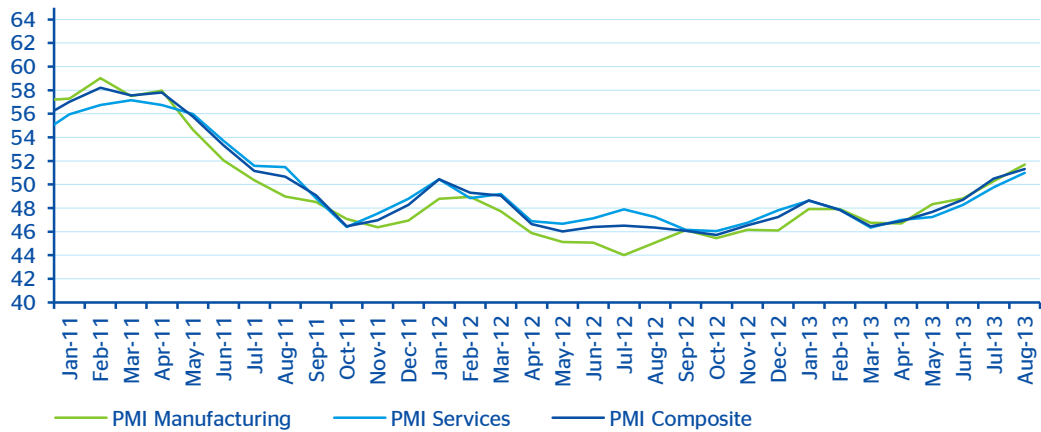
- **Flash Germany PMI in august improves both in Manufacturing and in Services**

The Flash estimate for Germany's Composite PMI indicator registered a significant rise of 1.3 points to 53.4, reaching the highest level in the last 6 months and above the level associated with economic growth (50 points) for the fourth consecutive month. The Flash PMI Manufacturing increased by 1.3 points to 52, surprising on the upside (BBVA Research: 51; Consensus: 51.1). The same applies to the Flash PMI Services, which improved by 1.1 points to 52.4, higher than expected (BBVA Research: 51.5; Consensus: 51.7). For both indicators is the fourth consecutive month of growth, which holds it in levels above 50 points, generating confidence in the German economy both domestic demand (PMI Services) and external demand (PMI Manufacturing), together with robustness of the labor market. In addition, if the estimation is confirmed, the Manufacturing data would correspond with the highest level of the last 25 months, while for Services would correspond to the highest level of the past 7 months.

• **Flash France PMI composite fall to June levels**

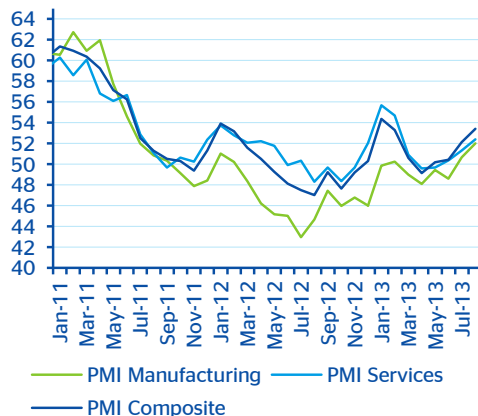
The Flash estimate for the PMI composite indicator of France recorded a fall of -1.2 points to 47.9 in August, after a marked improvement seen in the past few months (from March to July the index had recovered 7.2 points), The fall was mainly driven by the Manufacturing sector, where the output index falls -2.8 points to 48.6. In the other hand the Flash PMI Manufacturing remain unchanged comparing the previous month, staying in 49.7 points, bordering the 50 points threshold and lower than expected (BBVA Research: 50.5; Consensus: 50.3). Regarding the Flash PMI Services, it deteriorated 1.1 points to 47.7, again lower than expected (BBVA Research: 48.8; Consensus: 49.2). Therefore, the positive recorded trend by 6 months in a row in services is broken, anticipating that the domestic demand will not support the recovery already started in France.

Chart 1
Eurzone PMIs



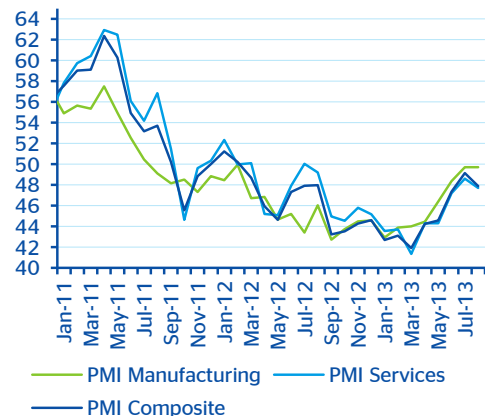
Source: Markit Economics

Chart 3
Germany PMIs



Source: Markit Economics

Chart 4
France PMIs



Source: Markit Economics

Table 1
PMIs in the eurozone, Germany and France

CC	Indicator	July	August	BBVA	Cons.
Eurozone	PMI Composite	50.5	51.7	51.3	50.9
	PMI Manufacturing	50.3	51.3	51.1	50.8
	PMI Services	49.8	51.0	50.3	50.2
Germany	PMI Composite	52.1	53.4	-	-
	PMI Manufacturing	50.7	52.0	51.0	51.1
	PMI Services	51.3	52.4	51.5	51.7
France	PMI Composite	49.1	47.9	-	-
	PMI Manufacturing	49.7	49.7	50.5	50.3
	PMI Services	48.6	47.7	48.8	49.2

Source: Markit Economics

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