

# Europe Flash

## Eurozone

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Economic Analysis

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## October PMI figures were somewhat disappointing...

### ...but consistent with an ongoing subdued recovery in the eurozone

- **PMI composite declined in October driven by falling confidence in service sector, against expectations**

The composite PMI fell by 0.7 points to 51.5 in October, below expectations (BBVA Research 52.6; Consensus: 52.4), but stood above the 50.0 threshold for fourth consecutive month, though at a slower pace. These somewhat disappointing figures were due to the contraction in services component (50.9 from 52.2 in September), while the manufacturing index edged slightly up (51.3 from 51.1). Overall, manufacturing sector is likely to remain supported by still robust foreign demand (despite of slowing growth in emerging countries), while the poor figures for service sector point to the weakness of domestic demand.

- **Although it is premature to read much into one month's data, these figures are in line with our projection of a slow recovery in the eurozone**

We remain cautious in our assessment of the economy recovery and hard indicators have yet to prove the slightly optimistic signs from soft data, our models (including these figures) suggest that the economic recovery in 2H13 should be on track at a steady pace (around 0.2% / 0.3% q/q).

- **The decline in confidence was widespread across countries, but remaining in expansionary territory**

Business activity slowed across the eurozone (according to the Markit's press release), especially in the two largest economies: Germany's expansion slowed down to 52.8 from 53.2 in September while France registered an almost neutral 50.1, down from a 23-months high 50.5 in September, driven by a poor performance across the service sector (50.2 from 51.0) and a contraction in manufacturing (49.4 from 49.8). Although figures for peripheral countries are not yet available, Markit's press conference highlighted that PMI survey reflects signs of economic recoveries becoming more entrenched in these economies.

Table 1  
**PMI in the eurozone, Germany and France**

CC	Indicator	September	October	BBVA	Consensus
Eurozone	PMI Composite	52.2	51.5	52.6	52.4
	PMI Manufacturing	51.1	51.3	51.2	51.4
	PMI Services	52.2	50.9	52.6	52.2
Germany	PMI Composite	53.2	52.6	-	-
	PMI Manufacturing	51.1	51.5	51.2	51.4
	PMI Services	53.7	52.3	54.0	53.7
France	PMI Composite	50.5	50.1	-	-
	PMI Manufacturing	49.8	49.4	50.0	50.1
	PMI Services	51.0	50.2	51.4	51.3

Fuente: Markit Economics

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