

Europe Flash

Eurozone

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Economic Analysis

Europe Unit

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Eurozone PMIs deteriorated again in November

These figures confirm the slow recovery in the monetary union, which is still led only by Germany

- **Eurozone: the slight decline in November figures was due to the worsening in confidence in the service sector recovery, pointing to a weak domestic demand**

The preliminary estimate of the composite PMI in November fell -0.4 points to 51.5, against expectations of stabilization (BBVA Research: 52.2; Consensus: 52.0), although it remains above the 50 points threshold. This deterioration was due to a drop in confidence in the services sector (50.9 from 51.6 in October), which records the lowest reading since August, while manufacturing PMI increased slightly (51.5 from 51.3). Overall, the manufacturing sector should continue being supported by still robust external demand as suggested by the strong increase in orders from abroad, while the weakness of domestic demand is reflected in the fall of PMI services.

Up to November, the average composite PMI in the fourth quarter remains somewhat above the average observed in the previous quarter, pointing to a somewhat higher growth of GDP in the last quarter of the year (after 0.1% q/q in 3Q13). However, the November data suggest that the recovery may be losing momentum. Although the available information for the fourth quarter is basically limited to soft indicators, our MICA-BBVA model estimates a quarterly GDP growth of 0.3% q/q in the eurozone as a whole.

- **Across countries, the contraction of France surprises negatively, while Germany confirms a sustained growth, being the only member state with solid growth in the area**

According to the press release from Markit, the improved confidence was not widespread among the member states: Germany's composite PMI improved to 54.3, the best reading since January, growing both in services and in manufacturing sector, setting its highest level in more than two years (52.5). Besides, the subcomponents that anticipate the economic cycle (new orders) suggest that the strength of the recovery should continue in coming quarters.

On the contrary, France's composite PMI surprised on the downside, moving away from the threshold of 50, and falling both in the service sector, which had grown in the two previous months, and in manufacturing, which records the deepest contraction since May. In short, these data suggest that the economy could stagnate or contract slightly again in the last quarter of the year, after the return to negative territory in the third (drop in GDP -0.1% q/q). With respect to other countries, the note anticipates that growth could have stalled.

Table 1
PMI in the eurozone, Germany and France

CC	Indicator	October	November	BBVA	Consensus
Eurozone	PMI Composite	51.9	51.5	52.2	52.0
	PMI Manufacturing	51.3	51.5	51.5	51.5
	PMI Services	51.6	50.9	51.8	51.9
Germany	PMI Composite	53.2	54.3	-	-
	PMI Manufacturing	51.7	52.5	51.8	52.0
	PMI Services	52.9	54.5	53.0	53.0
France	PMI Composite	50.5	48.5	-	-
	PMI Manufacturing	49.1	47.8	49.2	49.5
	PMI Services	50.9	48.8	51.0	51.0

Source: Markit Economics

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