

Europe Flash

Eurozone

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Economic Analysis

Europe

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The composite PMI improved slightly in the eurozone as a whole supported by the external sector

With increasing discrepancy between Germany and France

- **Eurozone: global demand continues to support the industrial sector, while the slight drop in the services component confirms the weakness of domestic demand**

The preliminary estimate of the composite PMI increased by +0.4 points in December to 52.1, against expectations of stabilization (BBVA Research: 51.7; Consensus: 51.9), thus indicating that the economy would have grown in the last quarter of the year. This improvement is due to increased confidence in the manufacturing sector (52.7 from 51.6 in November), which records the highest reading in two and a half years, while the services PMI fell very slightly (51.0 from 51.2). The manufacturing sector confirms the strength of external demand, mainly due to the strong increase in orders from abroad, while the slowdown in growth of the service sector shows the slow recovery of domestic demand.

In the last quarter, the average of the composite PMI remains above its average in 3Q13, pointing to a slightly higher GDP growth 4Q13 (after +0.1% q/q in 3Q13). Although the available information for 4Q13 is basically limited to soft indicators, our MICA-BBVA model estimates a quarterly GDP growth between +0.2% and +0.3% q/q in the eurozone as a whole.

- **Across countries, the deteriorating confidence in France surprises negatively again, while German figures confirm a sustained growth**

The improvement in confidence was not widespread among the member states, according to the press release from Markit: German composite PMI has maintained growth levels (55.2), although slightly lower than in November, improving only in the manufacturing sector, recording its highest reading in more than two years (54.2). In addition, the subcomponents that lead the economic cycle (new orders) suggest that the strength of the recovery should continue in coming quarters.

On the contrary, the France composite PMI continues to surprise on the downside (47.0), distancing further from the threshold of 50, and falling both in services and in manufacturing. These data suggest that the French economy could stagnate or shrink slightly in 4Q13 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 gained some traction.

Table 1
PMI in the eurozone, Germany and France

CC	Indicator	November	December	BBVA	Consensus
	PMI Composite	51.7	52.1	51.7	51.9
Eurozone	PMI Manufacturing	51.6	52.7	51.6	51.9
	PMI Services	51.2	51.0	51.2	51.5
	PMI Composite	55.4	55.2	-	-
Germany	PMI Manufacturing	52.7	54.2	52.7	53.0
	PMI Services	55.7	54.0	55.7	55.3
	PMI Composite	48.0	47.0	-	-
France	PMI Manufacturing	48.4	47.1	48.7	49.0
	PMI Services	48.0	47.4	48.4	48.7

Source: Markit Economics

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