

Europe Flash

Composite PMI in the Eurozone improves, driven by German services

- December figures show a less negative outlook**

The flash composite index for the whole Eurozone grew from 46.5 in November to 47.3 (Consensus: 46.9), surprising slightly on the upside and reaching its nine-month high. German services are the key factor pushing the index upwards. Although still in recessionary territory, the downfall does seem to be easing in the last months of the year, after having probably reached its bottom in October. The improvement of new orders and better business expectations point in that direction. Although the results are preliminary, the December results suggest that the Eurozone is not entering a protracted recession, and that the negative projections recently published by central banks for 2013 are perhaps too pessimistic.

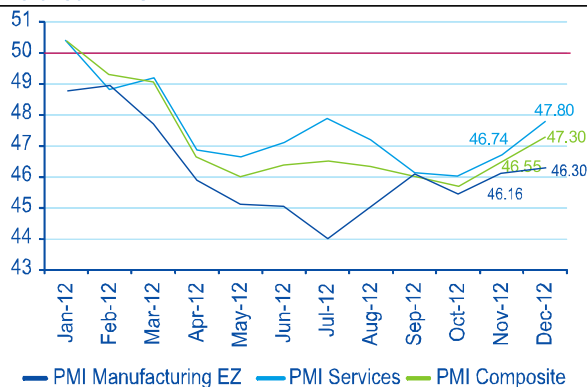
- Services lead the overall improvement in German activity**

Flash Germany composite index rises to 50.5 (from 49.2 in November), reflecting the surprising leap in the services component (from 49.7 to 52.1; Consensus: 50). Notwithstanding the sectoral improvement, new business continued to decline, while advertising and the start of new projects were the drivers of the upswing. Manufacturing, however, drops below expectations and stands at 46.3 (Consensus: 47.3, November: 46.8).

- The French private sector slowdown eases, but new orders decline at sharpest rate since April 2009**

Both manufacturing and services decline at a slower pace in France, resulting in a somewhat better composite PMI Index that climbs from 44.3 to 45.0. Lower workload is driving to a rise in the unemployment rate. Future expectations in the services sector remained moderately positive, reflecting client and providers caution.

Chart 1
Euro area PMIs



Source: BBVA Research

Table 1
Euro area, Germany and France PMIs

	Consensus	November	Observed
PMI Composite	46,9	46,5	47,3
Eurozone			
PMI Manufacturing	46,6	46,2	46,3
PMI Services	47,0	46,7	47,8
Germany			
PMI Manufacturing	47,3	46,8	46,3
PMI Services	50,0	49,7	52,1
France			
PMI Manufacturing	44,9	44,5	44,6
PMI Services	46,0	45,8	46,0

Source: BBVA Research

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