

Europe Flash

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Economic Analysis

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March PMIs, in line with GDP growth of 0.4%/0.5% QoQ in 1Q14

Although eurozone PMIs fell slightly, France's indicators recover

- **Eurozone: strongest rate of quarterly growth in three years despite the slight drop in March**

The preliminary estimate of the composite PMI fell slightly in March by 0.1 points to 53.2, in line with expectations (BBVA Research: 53.3; consensus: 53.2), after posting the highest level in February in the past two and a half years. This correction is due to the slower expansion of both sectors: the manufacturing index registered 53.0 (from 53.2 in February) and services 52.4 (from 52.6). Nevertheless, the readings in March, in expansive territory for the ninth consecutive month, closed the quarter with a robust growth (+1.2 points above the average of 4Q13), driven by the strong recovery in both sectors. In addition, the indicator subcomponents suggest that the improvement in activity will continue in April, since new orders and backlogs are still increasing.

With the first quarter data, Markit analysts confirm that growth may have accelerated slightly earlier in the year (0.5% QoQ), in line with our MICA-BBVA short-term indicator of GDP (0.4% QoQ after 0.3% QoQ in 4Q13).

- **Across countries, the recovery of France and optimism in the periphery stand out**

According to the press release, growth was fairly widespread among member states: Germany's composite PMI reduced to 55 points, a still high level, pointing to the higher quarterly rate of growth in almost three years.

France's composite PMI (51.6) has returned to expansive territory after remaining below the threshold of 50 for four months, improving both in services and manufacturing, and growing at the highest pace in two and a half years. The strong rise in March puts France's PMIs more in line with other confidence indicators, that were giving more optimistic signs in recent months.

With respect to other countries, Markit's note is optimistic, confirming the highest growth in three years and a robust recovery in the periphery.

Figure 1
Eurozone, Germany and France PMIs

CC	Indicator	February	March	BBVA	Consensus
Eurozone	PMI Composite	53.3	53.2	53.3	53.2
	PMI Manufacturing	53.2	53.0	54.0	53.0
	PMI Services	52.6	52.4	53.0	52.6
Germany	PMI Composite	56.4	55.0	-	-
	PMI Manufacturing	54.8	53.8	54.6	54.5
	PMI Services	55.9	54.0	55.4	55.9
France	PMI Composite	47.9	51.6	-	-
	PMI Manufacturing	49.7	51.9	49.6	49.7
	PMI Services	47.2	51.4	47.5	47.5

Source: Markit Economics

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