

# Europe Flash

## Confidence declined further in August, in contrast with PMI data

The EC confidence survey for August exacerbates concerns about the eurozone economic outlook in the current quarter. With only soft indicators released, our MICA model suggests that the fall of GDP could be larger than expected in Q3, at around -0.35% q/q. However, the new signals provided by the ECB that action is going to be taken soon to avoid a deterioration of the crisis in the periphery make us confident to maintain our projection that the recession will halt in the last quarter of this year.

- Widespread worsening in confidence across sectors, except in industry, which remained broadly stable**  
 The loss in confidence was particularly strong among consumers (-3.1) and service sector managers (-2.3), while confidence in industry (-0.2) remained broadly stable. More worrying signs stem from the worsening demand in coming months that also felt in the fall of hiring intentions across sectors.
- Across large countries, the largest confidence falls were recorded in Spain (-4.9) and Italy (-2.4),**  
 but economic sentiment also deteriorated in Germany (-1.0), while it improved in France (+0.4).
- These data contrast with PMI's released last week, also for August,**  
 which presented a minor increase (+0.1 points to 46.6) for the composite indicator. However, at current levels, those PMI's suggest a persistence of the recession in Q3.
- With today's data, our MICA-BBVA indicator for the Eurozone (which incorporates EC confidence rather than PMI's) suggests that GDP could fall by -0.35% q/q,**  
 somewhat more than in our macro projections of -0.1% in Q3. For Q4, we are confident that our figure of flat growth could be easily achieved, given that the prospects on the periphery crisis have improved significantly after the recent signals provided by the ECB of new non-standard measures to be taken.

Table 1

### European commission Economic Sentiment Indicator: Eurozone

	May-12	Jun-12	Jul-12	Aug-12	Curr. Var.	Mean	St. Dev.	Max	Min
Industry	-11.4	-12.8	-15.1	-15.3	-0.2	-6.0	9.4	7.8	-38.2
Service	-5.2	-7.4	-8.5	-10.8	-2.3	11.5	13.6	35.3	-27.3
Consumer	-19.3	-19.8	-21.5	-24.6	-3.1	-12.0	7.1	2.5	-34.3
Retail	-18.1	-14.4	-15.0	-17.3	-2.3	-8.2	6.8	5.3	-24.9
Construction	-30.2	-28.1	-28.5	-33.1	-4.6	-17.7	13.7	6.1	-47.0
ESI	90.5	89.9	87.9	86.1	-1.8	100.7	9.6	117.9	69.1

Source: European Commission and BBVA Research

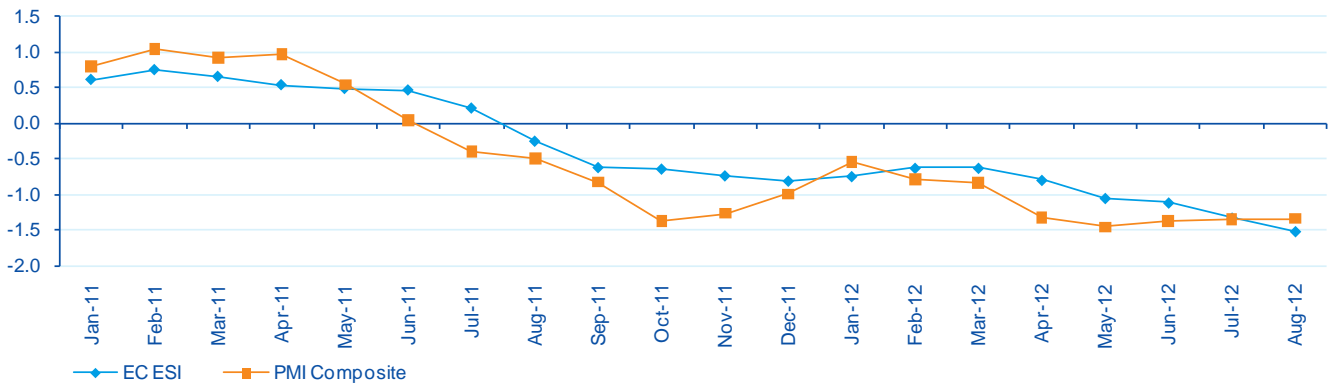
Table 2

### European commission Economic Sentiment Indicator by Countries

	May-12	Jun-12	Jul-12	Aug-12	Curr. Var.	Mean	St. Dev.	Max	Min
Eurozone	90.5	89.9	87.9	86.1	-1.8	100.5	117.9	69.1	90.5
Germany	101.9	100.5	96.8	95.8	-1.0	100.7	119.0	72.6	101.9
France	93.3	91.7	89.1	89.5	0.4	100.1	117.3	74.6	93.3
Italy	78.8	79.7	81.0	78.6	-2.4	101.0	120.5	72.4	78.8
Spain	88.1	89.1	87.7	82.8	-4.9	101.1	115.5	72.3	88.1
Portugal	77.0	77.9	76.4	79.1	2.7	102.6	126.0	71.1	77.0
Greece	76.0	74.1	76.1	77.0	0.9	101.6	119.2	71.6	76.0

Source: European Commission and BBVA Research

Chart 1

**Eurozone economic sentiment (standardized)**

Source: European Commission and Markit Economics

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