

Europe Flash

Eurozone: Flash PMI falls back below 50

Bottom line: Eurozone flash PMI figures suggest that the rebound observed in January has not been confirmed this month. The composite index returned to a level lower than 50, signalling a mild contraction in February. Nevertheless, the first two months of the year taken together point to at least stabilization in the economy. By country, the divergence between core and peripheral countries persists. Germany and France remain in expansion, though the pace of growth has eased, while Italy remains in clearly contractionary territory.

- **The services sector brings the Eurozone PMI back in contraction in February**

After a rebound in January, with the index reaching growth territory (50.4p), PMI Composite returned to a mild contraction in February, at 49.7p. The index was dragged down by business activity in the service sector, which lost 1p from the previous month and reached 49.4p, although other service indices, like business expectations, employment and new business improved over the month.

The manufacturing PMI increased only very slightly to 49.0, from 48.8 in January, and remains in contractionary territory. Output is expanding (50.4, unchanged from January), while forward looking sub-components like orders and export orders are still below 50 but have been improving in recent months.

- **PMI in Germany remained in expansion, but the rate of growth eased**

The overall index fell to 52.9 in February, losing 1p compared to the previous month. Both manufacturing and services managed to remain above the 50 mark, with PMI Services at 52.6 (from 53.7 in January) and PMI Manufacturing at 50.1 (from 51). Solid output was observed in both sectors, but growth was less pronounced than in January. After falling for 6 months in a row, the subcomponent of new business finally stabilized. This development was a result of increased new business in the services sector, while manufacturers saw an eighth consecutive fall in their new orders.

- **PMI still points to expansionary private sector in France, with the index slightly down at 50.6**

Flash PMI figures for February suggest that the private sector in the second month of the year continued growing, but the rate of expansion eased, resulting in a Composite index of 50.6 after 51.2 in January. Activity in both sectors improved, but in manufacturing the rebound was stronger, with the index rising to 50.2p (from 48.5), while the index for services fell to 50.3, still remaining above the no change level. New business remained unchanged, as the upbeat in the new work for services providers was offset by a less prominent drop in manufacturing new orders.

Table 1

Countries: Markit PMI Index

	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Curr. Var.	Mean	St. Dev.	Max	Min
Eurozone										
Composite	46.5	47.0	48.3	50.4	49.7	-0.8	53.3	4.8	62.5	36.2
Manufacturing	47.1	46.4	46.9	48.8	49.0	0.2	51.9	5.1	60.5	33.5
Service	46.4	47.5	48.8	50.4	49.4	-1.1	53.6	4.4	62.4	39.2
Germany										
Manufacturing	49.1	47.9	48.4	51.0	50.1	-0.9	51.4	5.7	57.9	34.8
Service	50.6	50.3	52.4	53.7	52.6	-1.1	47.6	8.4	58.5	27.8
France										
Manufacturing	48.5	47.3	48.9	48.5	50.2	1.7	51.2	6.5	59.0	33.5
Service	44.6	49.6	50.3	52.3	50.3	-2.0	55.1	5.8	62.9	40.2
Italy										
Manufacturing	43.3	44.0	44.3	46.8			52.8	7.7	62.7	32.0
Service	43.9	45.8	44.5	44.8			50.5	5.5	61.8	37.9
UK										
Manufacturing	47.8	47.7	49.7	52.1			51.3	5.9	61.5	34.5
Service	51.3	52.1	54.0	56.0			53.9	4.5	60.6	40.1
Construction	53.9	52.3	53.2	51.4			47.6	8.4	58.5	27.8

Source: Markit Economics through Bloomberg & BBVA Research, Flash values in italics

Table 2

Eurozone: Markit PMI Index

	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Curr. Var.	Mean	St. Dev.	Max	Min
Composite										
Output	46.5	47.0	48.3	50.4	49.7	-0.8	53.4	4.8	62.5	36.2
New Orders	44.7	45.5	46.0	48.0	48.5	0.5	52.4	5.2	61.8	33.1
Employment	50.1	50.1	50.4	49.4	49.5	0.0	50.7	3.6	57.8	40.2
Input Prices	53.0	53.4	54.3	55.2	56.7	1.4	57.3	6.6	70.9	40.5
Backlogs of Work	45.5	45.5	46.4	47.4	48.0	0.6	50.4	3.9	55.8	39.5
Manufacturing Sector										
PMI Index	47.1	46.4	46.9	48.8	49.0	0.2	51.9	5.1	60.5	33.5
Output	46.6	45.7	47.1	50.4	50.4	0.0	53.4	5.9	62.8	30.8
New Orders	43.4	42.4	43.5	46.5	47.1	0.7	52.5	6.5	62.4	26.4
Employment	50.5	49.9	49.9	50.1	49.0	-1.0	49.6	4.2	55.9	34.1
Suppliers' Delivery Times	49.6	49.9	49.4	48.7	48.3	-0.5	45.9	5.7	61.4	34.7
Stocks of Purchases	47.6	47.4	45.3	45.2	46.4	1.2	47.8	3.2	53.1	35.5
Input Prices	48.8	48.9	49.3	52.8	58.2	5.4	58.0	11.5	85.3	27.6
Output Prices	50.0	50.6	50.8	50.7	51.2	0.5	51.5	4.8	61.5	38.3
Backlogs of Work	44.0	44.0	44.0	45.7	46.2	0.5	50.3	6.1	57.6	29.2
Quantity of Purchases	43.3	41.2	43.8	46.8	47.4	0.6	51.4	6.6	62.1	26.2
Stocks of Finished Goods	50.0	49.3	47.3	47.3	48.7	1.4	48.2	1.9	51.3	40.6
New Export Orders*	44.2	43.5	45.4	47.7	48.4	0.7	52.0	5.8	60.0	29.6
Service Sector										
Business Activity	46.4	47.5	48.8	50.4	49.4	-1.1	53.7	4.4	62.4	39.2
Employment	50.0	50.2	50.6	49.1	49.6	0.5	51.5	3.6	59.2	42.4
Prices Charged	48.8	50.0	49.3	48.7	48.3	-0.4	50.1	3.5	57.0	40.2
Incoming New Business	45.3	46.9	47.1	48.7	49.1	0.4	52.8	4.7	61.4	35.8
Input Prices	54.9	55.4	56.6	56.3	56.0	-0.3	56.9	4.1	67.7	46.5
Outstanding Business	46.3	46.1	47.4	48.2	48.8	0.6	49.6	3.6	55.5	38.5
Business Expectations	52.7	53.5	53.6	56.4	58.2	1.9	64.2	6.4	76.4	41.6

* Please note that the Eurozone New Export Orders Index is a weighted average of export orders data collected from individual national PMI surveys and, as such, includes intra Eurozone trade

Source: Markit Economics,

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