

ECONOMIC ANALYSIS

PMIs fall in August, weighed down by weak manufacturing

Europe Unit

Eurozone: the pace of growth moderated in August, still supported by a robust services sector

The composite PMI for the eurozone in August fell 1 point to 52.8, according to Markit's flash estimate, somewhat lower than expected (BBVA Research: 53.5; consensus: 53.4) and, after the rise in the previous month, stood at the same level of expansion as in June. However, the growth pattern is different, with the recovery in the services sector consolidating and manufacturing maintaining a negative trend, slowing to 50.8, the worst reading in fourteen months. An analysis of the subcomponents suggests that this pace of expansion could be maintained in September, as growth in new orders and employment creation accelerated slightly, but with very significant differences between a weak manufacturing sector, burdened by uncertainty in the geopolitical environment, and services, that are gaining momentum.

Moreover, following the publication of the first official below-expectations data for 2Q14, the August survey opens up some additional uncertainties, given the lack of homogeneity in growth between countries and a recovery that is too weak to stimulate employment creation, as well as the concerns caused by the conflict in Ukraine.

Pending the publication of hard data for the quarter, the performance of PMIs suggests that the eurozone economy could grow at a rate slightly below our base scenario (0.3% QoQ) in 3Q14.

Across countries, the recovery of the German economy continues at a somewhat slower pace, while the decline in France comes to a halt and the periphery loses momentum

The German composite PMI slowed in August due to the weak manufacturing sector and despite the fact that the data service level remains close to July figures (the highest in three and a half years). However, the subcomponents that advance the business cycle (new orders, business expectations, backlogs) suggest that the recovery should consolidate in the coming months.

In contrast, the French composite PMI in August improved and stabilised at the neutral level (50.0) after three months of contraction. However, a very different performance between sectors was recorded. The services sector continues to recover, supported by the increase in new jobs, while the contraction in manufacturing worsened on the sharp decline in new orders (both internal and external).

Regarding other countries, the Markit's communique anticipates that the periphery could be losing momentum, after growing at a rapid pace in recent months.

Figure 1

Eurozone, Germany and France's PMIs

CC	Indicator	June	July	BBVA	Consensus
Eurozone	Composite PMI	53.8	52.8	53.5	53.4
	Manufacturing PMI	51.8	50.8	51.2	51.3
	Services PMI	54.2	53.5	53.5	53.7
Germany	Composite PMI	55.7	54.9	-	54.6
	Manufacturing PMI	52.4	52.0	51.6	51.5
	Services PMI	56.7	56.4	56.5	55.5
France	Composite PMI	49.4	50.5	-	49.6
	Manufacturing PMI	47.8	46.5	48.5	47.8
	Services PMI	50.4	51.1	50.7	50.2

Source: Markit Economics

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