

ECONOMIC ANALYSIS

Eurozone: PMIs improve and are consistent with moderate growth that is gaining in momentum

Europe Unit

Eurozone: confidence in manufacturing and services improves

According to Markit's preliminary estimate, the composite PMI for the euro area in January increased 0.8 points (pt) to 52.2pt (BBVA Research and consensus: 51.7), above the 4Q14 average (51.5pt). This improvement is due to increased confidence in both the manufacturing sector (51pt, up from 50.6pt in December, and after an average of 50.4pt throughout the fourth quarter) and the services sector (52.3pt from 51.6pt in December and an average of 51.7pt in 4Q). Forward-looking indicators point to a more optimistic outlook in the coming months: in January, new orders have increased at a rapid pace, since the moderation of business costs by falling oil prices, passed through to final prices, has encouraged consumers to bring forward their purchases. These factors have led to increased job creation, with employment growing at its fastest pace since July.

In summary, these data suggest that the recovery will continue and gradually gain strength, in line with our scenario of 0.3% QoQ growth in 1Q15 after 0.2% QoQ we expect for 4Q14.

Activity gains traction in Germany, while in France signs of weakness persist

In January, Germany's composite PMI has risen for the second consecutive month from 52 to 52.6pt due to the improvement in the service sector, which was not affected by the introduction of the minimum wage. On the contrary, thanks to the increase in new orders possibly linked to the depreciation of the euro, there has been a rise in employment. On the other hand, the manufacturing sector continues to display weakness (51pt, down from 51.2pt), especially in the low levels of export orders due to lower demand from Russian and Asian markets.

In France, the composite PMI fell again (from 49.7pt to 49.5pt) and for the ninth consecutive month came in below the 50pt threshold. The service sector, which had shown signs of recovery in the last three months, has shrunk again (from 50.6pt to 49.5pt), although the manufacturing sector slowed its fall, due to the increase in new orders. These negative perspectives are reflected in the fifteenth consecutive month of job losses in the French economy.

Although preliminary data reveal no information about other countries, the rise in the eurozone's composite indicator must come therefore from other countries, especially in the periphery. Italy's PMIs have not yet been published.

Figure 1

Eurozone, Germany and France's PMIs

CC	Indicator	December	January	BBVA	Consensus
Eurozone	Composite PMI	51,4	52,2	51,7	51,7
	Manufacturing PMI	50,6	51,0	51,1	51,0
	Services PMI	51,8	52,3	52,0	52,0
Germany	Composite PMI	52,0	52,6	-	52,4
	Manufacturing PMI	51,2	51,0	52,0	51,7
	Services PMI	52,1	52,7	52,4	52,5
France	Composite PMI	49,7	49,5	-	50,1
	Manufacturing PMI	47,5	49,5	48,4	48,0
	Services PMI	50,6	49,5	50,8	50,9

Source: Markit Economics

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