

Eurozone: PMI rises in June and aims at consolidating growth in 2Q15

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Euro area: the recovery gains momentum

According to Markit's preliminary estimate, composite PMI in the eurozone increased 0.5 points to 54.1 in June (BBVA Research: 53.8; consensus: 53.5), the highest value in four years and, despite the moderation registered in the previous two months, the second quarter as a whole increased 0.6 points above the average for 1Q15. The behaviour of the index in June is the result of the acceleration of both the services sector, which has risen to 54.4 (from 53.8 in May) and manufacturing, which increased three-tenths, to 52.5 points from 52.2. The sub-indices of the survey offer positive signs: in manufacturing, orders are increasing again (albeit at a slower pace) as is production, resulting in a solid increase in employment. Moreover, expectations of business and backlogs of work support the increase in the services index.

In summary, these data suggest that GDP growth will consolidate or even gain some traction in 2Q15 (after 0.4% QoQ in 1Q15), in line with our MICA-BBVA short-term model, which estimates a increase of 0.4-0.5% QoQ.

Robust growth in activity in Germany and France. The economies of the periphery are moving at a steady pace

The German composite PMI has increased in June from 52.6 to 54 points after the strong moderation in April and May, due to the improvement of both services and manufacturing. On the one hand, business expectations in the service sector continue to grow, resulting in increased hiring, although the pace of job creation is slowing slightly; on the other, the manufacturing sector (53.5 after 51.9) has benefited from the sharp rise in industrial orders, especially external ones.

In France, the composite PMI signals an expansion in activity for the fifth consecutive month and an acceleration in the growth rate (from 52 in May to 53.4). Disparities between dynamic sectors persist: the service sector is growing at a rapid rate (54.1 after 52.8), while manufacturing remained weaker, although it has returned to the territory of (slight) growth after a year (50.5 after 49.4). The most significant increases were recorded in the components for new orders and backlogs of work, while business expectations remain high. French companies continue to create jobs, although still at only a marginal rate.

With respect to other countries, Markit's communiqué suggests that the pace of expansion in the periphery would have slowed slightly, but it remains higher than in Germany and France.

Figure 1

Eurozone, Germany and France's PMIs

CC	Indicator	May	June	BBVA	Consensus
Eurozone	Composite PMI	53,6	54,1	53,8	53,5
	Manufacturing PMI	52,2	52,5	52,2	52,2
	Services PMI	53,8	54,4	54,0	53,6
Germany	Composite PMI	52,6	54,0	-	52,7
	Manufacturing PMI	51,1	51,9	51,1	51,2
	Services PMI	53,0	54,2	52,8	53,0
France	Composite PMI	52,0	53,4	-	52,0
	Manufacturing PMI	49,4	50,5	49,5	49,6
	Services PMI	52,8	54,1	52,8	52,6

Source: Markit Economics

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