

ECONOMIC ANALYSIS

Eurozone: PMIs remain stable in April

Europe Unit

Eurozone: confidence has hardly changed in April, in line with expectations

According to Markit's preliminary estimate, composite PMI in the Eurozone remains stable in April (53 points after 53.1), in line with expectations (BBVA Research: 53.2, Consensus 53.3), and two tenths below 1Q16 average (53.2 points). This stabilisation is due to both the services index (53.2 after 53.1 in March), with an increase of new orders and a reduction of backlogs of work, and manufacturing (from 51.6 to 51.5), due to the reduction of new orders and business expectations being offset by the expanding external orders. In any case, the moderate growth of new orders, together with the stagnation in backlogs of work and business expectations, suggests that during the following months the current rate of unemployment growth will not change.

Although it is still early to draw conclusions for 2Q16 as a whole, today's data points to some reduction in growth; we expect 0.3% QoQ for 2Q16, which would imply a slight deceleration with respect to the first quarter (expected to be 0.4% QoQ). Beyond some volatility in the last two quarters due to temporary factors, the recovery keeps advancing at a modest yet stable pace, and continues to show some resistance to the increased uncertainty, which is due to both global as well as idiosyncratic factors. On the other hand, the slightly more positive news comes from the signs of a slight recovery in external orders, partly dissipating doubts of a faster deceleration in global demand hindering the strong domestic demand

The rate of expansion slowed in Germany and recovered slightly in France

In April, the composite PMI for Germany has dropped marginally (53.8 after 54), mainly due to a lower expansion in the services sector (from 55.1 to 54.6), offset by a significant recovery of the manufacturing sector (51.9 after 50.7). The rise in new orders, especially external, and backlogs of work dissipate fears that the deceleration of global demand will have a bigger impact on the activity of the sector, as shown by the hiring of new employees in April. Despite the slight correction of the services sector, business expectations in the sector remain high.

In France, the composite PMI increased marginally (50.5 after 50.0) thanks to the recovery in the services sector, which grows again in April (50.8 after 49.9). By contrast, manufacturing firms indicate a worsening in production (48.3 points) after posting 49.6 points in the previous month. As for the outlook for the coming months, the indices suggest that growth will continue to be driven by the services sector, and in consequence, supported by domestic demand: the increase in employment, new orders and the backlogs of work lead us to believe that activity could augment in the following months, while the reduction of business expectations suggests that this growth will be weak; conversely, a reduction of new orders (domestic and external) in the manufacturing sector was recorded.

With respect to other countries, Markit's press release advances that the pace of expansion in peripheral countries has slowed slightly.

Table 1
PMI in the Eurozone, Germany and France

CC	Indicator	March	April	BBVA	Consensus
Eurozone	Composite PMI	53,1	53	53,2	53,3
	Manufacturing PMI	51,6	51,5	51,7	51,9
	Services PMI	53,1	53,2	53,2	53,3
Germany	Composite PMI	54	53,8	54	54,2
	Manufacturing PMI	50,7	51,9	51	51
	Services PMI	55,1	54,6	55,2	55,1
France	Composite PMI	50	50,5	50,1	50,2
	Manufacturing PMI	49,6	48,3	49,9	49,9
	Services PMI	49,9	50,8	50,3	50,1

Source: Markit Economics

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