

# Europe Flash

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Economic Analysis

Europe Unit

**Miguel Jiménez González-Anleo**  
Chief Economist  
mjimenezg@bbva.com

**Agustín García Serrador**  
Senior Economist  
agustin.garcia@bbva.com

**Diego Torres Torres**  
Economist  
diego.torres.torres@bbva.com

**Pablo Budde**  
pablo.budde@bbva.com

**Massimo Trento**  
massimo.trento@bbva.com

## Eurozone PMIs in February are consistent with a moderate recovery Discrepancy once again between France and Germany

- **The eurozone to maintain its growth rate in February**

The composite PMI's preliminary estimate dropped slightly in February by 0.2pp to 52.7, slightly below expectations (BBVA Research and Consensus: 53.1), after recording its highest level for the last two and a half years in January. This correction was mainly due to a downtick in expansion in the manufacturing sector (53.0, down from 54.0 in January) and a minimal increase in the service sector PMI (51.7 from 51.6). In general the manufacturing sector may have been affected by uncertainty about emerging countries; however, the February figure is in line with our global scenario and ought to continue in clearly expansive territory, although moderate, as the high level of new orders suggests, while the dynamism that has been visible in domestic demand over the last few months is reflected in expectations that the service sector will recover.

However, the February survey also offers signs of doubt, such as the different rates of growth by country and the difficulty of creating new jobs, as well as downward pressures on prices.

Data available for 1Q14 (January and February) appear to confirm the recovery is continuing into the beginning of the year, and are in line with our expectations for slight growth in the 1Q (between 0.2% and 0.3% QoQ).

- **By countries, Germany is consolidating its growth rate whereas activity in France is still showing signs of weakness; meanwhile recovery in the periphery remains stable**

According to Markit's press release, increased confidence was not the general sentiment among all member states: Germany's composite PMI has gone up to 56.1, growing strongly in the service sector, while the manufacturing sector has shown a slackening in its growth rate, after reaching a two-and-a-half year peak in January (56.5). Furthermore, some components of the PMI, which are forward-looking indicators of the economic cycle (new orders and new export orders), suggest that the recovery looks set to remain firm in the next few months.

France's composite PMI, on the contrary, is still under the 50 threshold, dropping in both the service sector and manufacturing, and increasing its rate of decline from previous months. However, in the last few months, the pessimistic figures from the Markit survey have not been borne out in an effective worsening of real activity. When it comes to the rest of the eurozone countries, Markit's press release states that the growth rate may have also stayed high in the periphery.

Table 1  
PMI in the eurozone, Germany and France

CC	Indicator	January	February	BBVA	Consensus
Eurozone	Composite PMI	52.9	52.7	53.1	53.1
	Manufacturing PMI	54.0	53.0	54.1	54.0
	Service sector PMI	51.6	51.7	51.8	51.9
Germany	Composite PMI	55.5	56.1	-	-
	Manufacturing PMI	56.5	54.7	56.6	56.3
	Service sector PMI	53.1	55.4	53.3	53.4
France	Composite PMI	48.9	47.6	-	-
	Manufacturing PMI	49.3	48.5	49.5	49.5
	Service sector PMI	48.9	46.9	49.1	49.4

Source: Markit Economics

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