

Eurozone | PMI point to an acceleration of GDP despite the slight drop in December

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Eurozone: recovery stabilises

According to Markit's preliminary estimate, composite PMI in the eurozone fell 0.2 points in December to 54 (BBVA Research: 54.2; consensus: 54.2), but puts the level of the indicator throughout the fourth quarter 0.2 points above the average of 3Q15 (54.1, compared with the historical average of 52.8). The behaviour of the index in December is the result of the slowdown in the services sector, which falls to 53.9 (from 54.2 in November), and the increase in manufacturing, which grew three-tenths, reaching 53.1 points. However, the sub-indices of the survey provide positive signals for the coming months: in both sectors, new orders, future business expectations and backlog of work increased again, which could translate into new hires.

In summary, these data suggest that GDP growth would be consolidating or accelerating slightly in 4Q15 (after 0.3% QoQ in 3T15), in line with our short-term MICA-BBVA model, which estimates an increase of around 0.4% QoQ. Moreover, higher costs for the depreciation of the euro and some wage increases are not passing through to retail prices, which suggest that the absence of inflationary pressures will continue in the coming months, against a background of moderate growth.

Activity moderated slightly in Germany, while in France the services weighed on the index. In the periphery, economies are moving at a robust pace

The German composite PMI has declined marginally in December from 55.2 to 54.9 points, although closing the fourth quarter with growth. In December, the index moderated due to the fall in the services sector which was not offset by the slight increase in manufacturing, although it seems a temporary issue since the increase in new orders, especially external, and employment creation, together with high levels of business expectations and backlogs of work, predict that activity will continue to grow in the coming months.

In France, the PMI drops seven tenths to a level close to stagnant activity (50.3 points). This is due, mainly, to the zero growth of the services sector, after ten consecutive months of expansion, whose respondents were negatively affected by the recent terrorist attacks, which have been reflected in a decline in incoming orders. On the other hand, the prospects of the manufacturing sector improve (51.6 after 50.6), where we can observe an increase in orders, both domestic and external. In December, job shedding has been interrupted in French companies.

With respect to other countries, Markit's communiqué advances that the pace of expansion in the periphery would remain robust and higher than in Germany and France.

Figure 1

Eurozone, Germany and France's PMIs

CC	Indicator	November	December	BBVA	Consensus
Eurozone	Composite PMI	54,2	54,0	54,2	54,2
	Manufacturing PMI	52,8	53,1	52,5	52,8
	Services PMI	54,2	53,9	54,0	54,0
Germany	Composite PMI	55,2	54,9	-	55,0
	Manufacturing PMI	52,9	53,0	52,7	52,8
	Services PMI	55,6	55,4	55,4	55,5
France	Composite PMI	51,0	50,3	-	51,0
	Manufacturing PMI	50,6	51,6	51,0	50,6
	Services PMI	51,0	50,0	50,0	50,8

Source: Markit Economics