

## Eurozone: PMI rises in March, consolidating the improvement in the first quarter

Miguel Jimenez González-Anleo / Agustín García Serrador / Diego Torres Torres / Massimo Trento / Miguel Abellán Ossenbach

---

### Eurozone: recovery gains momentum

According to Markit's preliminary estimate, the euro area composite PMI increased 0.8 points to 54.1 in March (BBVA Research: 53.4; consensus: 53.6) and after the improvements seen in previous months, in the overall first quarter it registered an increase of 1.8 points over the average of 4Q14. The performance of the index in March is the result of the acceleration of both the service sector, which rose to 54.3 (from 53.7 in February) and the manufacturing sector, which increased nine-tenths to 51.9 points from 51. The sub-indices of the survey offer positive signs: in the manufacturing sector, orders increased again (especially from abroad, helped by a weak euro) and business expectations and new orders in the services sector grew at a very high rate, resulting in a strong increase in employment. With regard to prices developments, the March survey suggests that the downward pressures moderated, due to rising import prices and labour costs while improving domestic demand seems to be allowing companies to transfer the rise, at least partly, to consumers amid falling profit margins.

In summary, these data suggest that growth could accelerate in 1Q15 (after 0.3% QoQ in 4Q14), in line with our MICA-BBVA short-term model, which estimates an increase of 0.4% QoQ.

### Robust growth in activity in Germany, while France does not take off due to the weakness in the manufacturing sector. The economies of the periphery grow at a steady pace

The German composite PMI has increased in March from 53.8 to 55.3 points, due to the improvement in both sectors: on the one hand, business expectations in the service sector continues to grow, resulting in a strong increase in staffing levels; on the other, the manufacturing sector (52.4 after 51.1) has benefited from the sharp rise in industrial orders, both internal and external.

In France, the composite PMI remains for the second consecutive month above the 50 threshold, although at a level consistent with lower growth in activity (51.7 after 52.2). Disparities between dynamic sectors: the service sector grows, albeit more moderately (52.5 after 52.8), while manufacturing is still in negative territory (48.2 after 47.6) especially because of the decline in new orders. Nevertheless, business expectations and backlogs of work in the service sector are encouraging companies to hire (albeit marginally), after eighteen months of job shedding.

With respect to other countries, Markit's communiqué suggests that the pace of expansion in the periphery could have risen to its highest level in the last eight months.

Figure 1

## Eurozone, Germany and France's PMIs

CC	Indicator	February	March	BBVA	Consensus
Eurozone	Composite PMI	53,3	54,1	53,4	53,6
	Manufacturing PMI	51,0	51,9	51,3	51,5
	Services PMI	53,7	54,3	53,7	53,9
Germany	Composite PMI	53,8	55,3	-	54,1
	Manufacturing PMI	51,1	52,4	51,3	51,5
	Services PMI	54,7	55,3	54,7	55,0
France	Composite PMI	52,2	51,7	-	51,9
	Manufacturing PMI	47,6	48,2	50,1	48,5
	Services PMI	53,4	52,8	52,8	52,5

Source: Markit Economics

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.