

Eurozone | Correcting April PMIs point to a stabilisation of growth

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Eurozone: confidence in manufacturing and services decreases

According to Markit's preliminary estimate, the composite PMI of the euro area decreased 0.5 points in April to 53.5 (BBVA Research: 54.0; consensus: 54.4), although still above the average for 1Q15 (53.3 points) and clearly in expansive territory, having gained more than three points since late last year. This moderation in April was widespread in both the manufacturing sector (51.9 after 52.2 in March but above the average for the whole of the first quarter at 51.4) and in the services sector (53.7 points from 54.2 in March and after an average of 53.6 in 1Q15). Despite this slight correction, the pace of activity and expectations continue to encourage job creation in both sectors, as shown by the employment component that increased at the fastest pace in almost four years. On the other hand, it is worth noting that the information that emerges from the evolution of orders suggests some weakness of the ones coming from abroad due to lower demand from other areas, while the impact of the depreciation of the euro would be reflected more in increased costs to businesses. Depending on the country, these may already be transferring in part to the final prices, as in Germany, or companies could be supporting them, possibly because of still weak domestic demand, as in France.

Taking all this into account and although the information is still limited for 2Q15, these indicators suggest some stabilisation or even moderation in the pace of the economy of the eurozone, after growth of 0.3% QoQ in 4Q14 and our growth forecast of 0.5% QoQ in 1Q15.

Activity is moderating slightly in Germany, and in France there are signs of weakness persisting, but the momentum of the periphery continues

In April, the German composite PMI has declined after two months of increase from 55.4 to 54.2 points, due to slower activity growth in both the service sector and manufacturing, due to a weaker increase in new orders and increased prices. The manufacturing sector continues to be, despite the depreciation of the euro, somewhat weaker (51.9 after 52.8), especially from the low levels of export orders from key markets, such as Russia and Asia. Nevertheless, the twelve months forward expectations of service providers are optimistic, mainly due to an increase in demand and a positive economic climate.

In France, the composite PMI remains for the third consecutive month above the 50 threshold, although still at a level consistent with lower growth in activity (50.2 after 51.5). The trend in sectors is downward: the service sector, although still above 50 points, fell after growing in March (50.8 after 52.4) and manufacturing remains in negative territory with the negative data for April (48.4 after 48.8), especially from the largest decline in new orders. However, business expectations in the service sector, the launch of new products and hopes of an improving economic climate all contribute to increased confidence, according to respondents. Regarding the periphery, the press release emphasises that the momentum continues, with confidence increasing at rates unseen since the summer of 2007.

Figure 1

Eurozone, Germany and France's PMIs

CC	Indicator	March	April	BBVA	Consensus
Eurozone	Composite PMI	54,0	53,5	54,0	54,4
	Manufacturing PMI	52,2	51,9	52,3	52,6
	Services PMI	54,2	53,7	54,2	54,5
Germany	Composite PMI	55,4	54,2	-	55,6
	Manufacturing PMI	52,8	51,9	53,0	53,0
	Services PMI	55,4	54,4	55,6	55,5
France	Composite PMI	51,5	50,2	-	51,8
	Manufacturing PMI	48,8	48,4	50,0	49,2
	Services PMI	52,4	50,8	52,4	52,4

Source: Markit Economics

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