

Eurozone | July PMIs are moderating from highs

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Eurozone: confidence decreases in manufacturing and services

According to Markit's preliminary estimate, composite PMI in the eurozone decreased in July by 0.5 points to 53.7 (BBVA Research: 54.2; consensus: 54), slightly below the average of 2Q15 (53.9 points) but clearly in expansionary territory, having gained three points since late last year. This moderation in July affected both manufacturing (52.2 after 52.5 in June, in line with the average for the entire second quarter) and the services sector (53.8 points from 54.4 in June, and after 54.1 on average in 2Q15). This correction is a result of the fall in business expectations and a slowdown in new orders received, leading to a slowdown in job creation.

Taking all this into account, and although information is still very limited for 3Q15 as a whole, these indicators suggest some stabilisation in the growth rate of the economy in the euro area, around 0.4% QoQ since late last year.

Moderation of growth in Germany and, especially, in France. The economies of the periphery are advancing at a slightly faster rate

In July, the composite PMI for Germany has decreased three-tenths from 53.7 to 53.4 points, due to slower growth in activity in both the services and manufacturing sectors. The manufacturing sector is, despite the depreciation of the euro, somewhat weaker (51.5 after 52), mainly because of the decline in export orders. However, expectations of the service providers are optimistic twelve months ahead, so that job creation continues.

In France, the composite PMI remains for the sixth consecutive month above the 50pt threshold, although still at a level consistent with lower growth in activity (51.5 after 53.3). The sectors trend is on the downside: the service sector, although still above 50pt, fell sharply (52.0 after 54.1) and manufacturing went back into negative territory after the first positive data in more than a year observed in June (49.6 after 50.7), especially for the largest decline in new orders. According to respondents, both business expectations and backlogs of work moderated and job creation was interrupted.

With respect to other countries, Markit's communiqué suggests that the pace of expansion in the periphery would have slowed slightly, but would remain higher than in Germany and France

Figure 1

Eurozone, Germany and France's PMIs

CC	Indicator	June	July	BBVA	Consensus
Eurozone	Composite PMI	54,2	53,7	54,2	54,0
	Manufacturing PMI	52,5	52,2	52,6	52,5
	Services PMI	54,4	53,8	54,4	54,2
Germany	Composite PMI	53,7	53,4	-	53,9
	Manufacturing PMI	52,0	51,5	52,0	51,9
	Services PMI	53,8	53,7	54,0	54,0
France	Composite PMI	53,3	51,5	-	53,3
	Manufacturing PMI	50,7	49,6	51,0	50,8
	Services PMI	54,1	52,0	54,1	53,8

Source: Markit Economics

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