

Flash Euro area PMI Composite Index hits a four-year high in June

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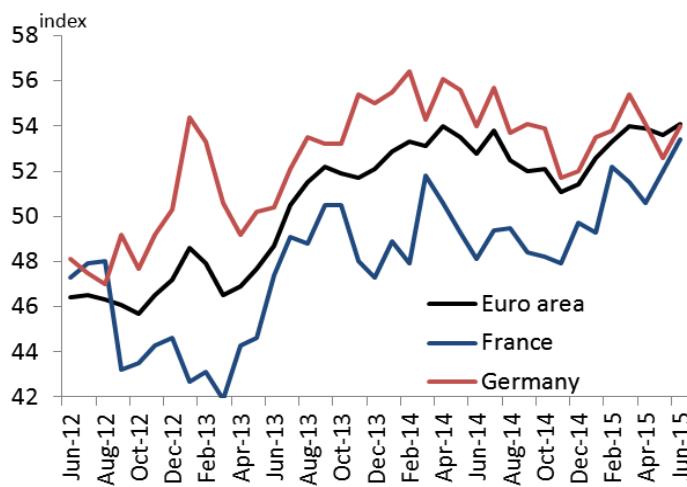
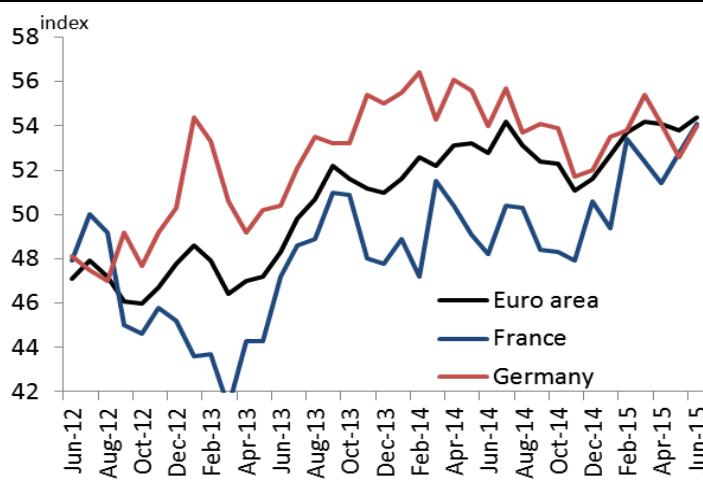
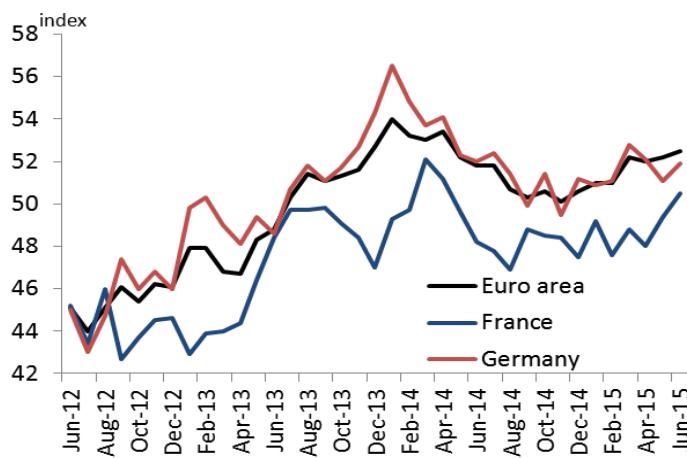
According to the flash estimate of Markit Purchasing Managers' Index, which is based on approximately 85-90% of total PMI survey responses, Euro area composite PMI index came in stronger than expected in June registering its highest reading since May 2011 (Figure 1). The upturn in the Euro area Composite Index to 54.1 in June from 53.6 in May was mainly driven by the services sector, which increased to 54.4 from 53.8 in the prior month (Figure 2). As far as the manufacturing sector is concerned, the corresponding PMI index rose as well albeit at a slower pace, coming in at a 14-month high of 52.5 from 52.2 previously (Figure 3).

The June PMI survey suggested the euro area economy ended the second quarter of the year on a firm tone, with the average PMI reading for the second quarter as a whole climbing to its highest level for four years. Output rose for the twenty-fourth consecutive month and outstanding business (backlogs of work) improved for the fourth time in the last five months. Nevertheless, new orders eased slightly and business expectations of future growth dropped to a six-month low, as more companies cited mounting uncertainty concerning the Greek issue.

In terms of individual euro area countries, Germany's PMI Composite Index rebounded from May's five-month low of 52.6 to 54.0 in June, while France's corresponding figure pointed to an increase in private sector output for the fifth consecutive month (to 53.4 from 52.0 in May), the sharpest rate of increase since August 2011 (Figure 1). Excluding the two "core" euro countries, the euro area region marked its best performance for eight years in terms of output growth and its best employment growth since the third quarter of 2007.

According to Chris Williamson, Markit's Chief Economist, the euro area PMI Composite index is signaling real GDP growth rate of 0.4% QoQ in Q2 2015, in line with that registered a quarter earlier. Overall, real GDP growth is projected to accelerate to c. 1.4% in 2015, from 0.8% in 2014, supported by the weaker EUR, improving financial conditions and a lessening impact stemming from fiscal consolidation measures.

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Figure 1: Markit PMI Composite Index**Figure 2: Markit PMI Services Index****Figure 3: Markit PMI Manufacturing Index**

Source: Markit, Bloomberg, Eurobank Research

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