

## Eurozone Manufacturing

### Manufacturing recovery stretches to eight months in February

- Eurozone Flash Manufacturing PMI at 53.0 in February, close to January's 32-month high
- Germany remains a leading light
- Rising job creation outside of big-two nations

Data collected 12-19 February.

The eurozone manufacturing recovery entered its eighth successive month in February. At 53.0, the Markit Flash Eurozone Manufacturing PMI<sup>®</sup> – typically based on around 85%-90% of final survey responses – posted the second-highest reading since mid-2011 and remained close to January's 32-month record of 54.0.

Apart from the ongoing stabilization and improvement of demand in many domestic markets, eurozone manufacturers are benefitting from rising levels of new export business as global markets also pick up.

Although some growth impetus was lost, with rates of expansion slowing slightly for both output and new orders, the Output Index is still pointing to eurozone industrial production rising at a quarterly pace close to the 1.0% mark during the opening quarter.

National survey data generally followed the broader eurozone trend, with headline PMI levels dipping for Germany, France and the 'rest of the eurozone'<sup>\*</sup>.

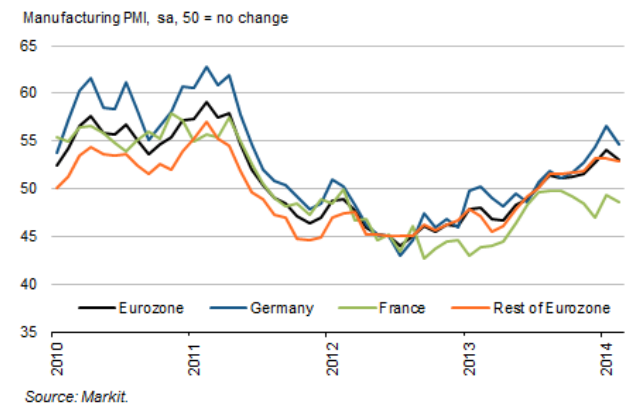
Germany remained a leading light in the current manufacturing recovery. The German PMI remained close to January's peak, as growth rates for production, new orders and new export orders all stayed above the respective eurozone averages. This suggests that Germany posted a quarterly expansion of industrial production of around 2% in February.

Conditions outside of the big-two nations also continued to improve, with the average PMI reading for the 'rest of the eurozone' only slightly below the highs registered around the turn of the year. Our estimate is for industrial production outside of the big-two nations to have expanded (on average) at a quarterly rate of 0.7%-0.8% during February.

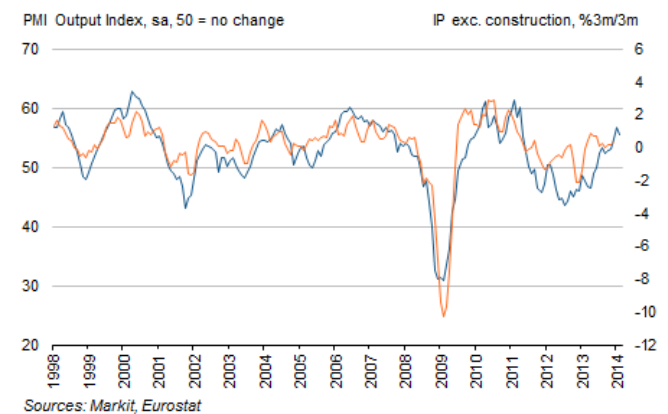
*\*based on a weighted average of Italy, Spain, the Netherlands, Austria, Republic of Ireland and Greece*

#### Flash Manufacturing PMI<sup>®</sup>: February 2014

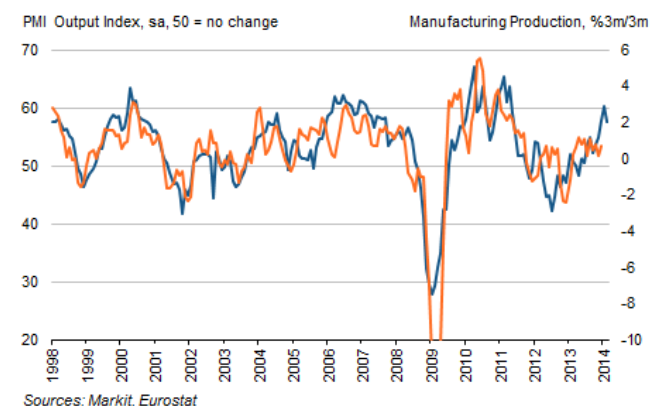
Eurozone	53.0	2-month low
Germany	54.7	2-month low
France	48.5	2-month low
Rest of Eurozone	52.8	3-month low



#### Manufacturing Output: Eurozone



#### Manufacturing Output: Germany



France remained the laggard, however, with its PMI having remained in contraction territory throughout the past two years. Positive news came from a return to growth for production and rising levels of new export business, but a weak domestic market meant that the total volume of new work received fell at a faster pace than in January.

Based on the past relationship between the manufacturing PMI and official INSEE data, the performance of France manufacturing will likely stay subdued over quarter one as a whole.

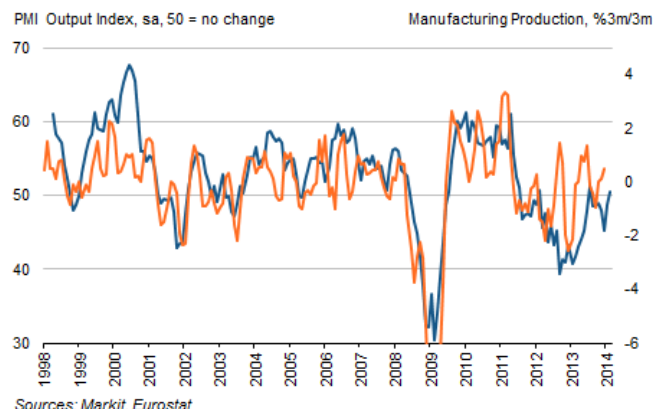
A jobless recovery would be a highly disappointing recovery, so a second successive monthly rise in eurozone manufacturing employment is a promising step. Jobs growth hit a near three-year high outside of the big-two nations, which should aid in deepening the recoveries in these nations – especially those hardest hit during and after the global financial crisis.

The trends were less positive in Germany and France, however, with Germany reporting a stagnant trend in workforce numbers (following increases in December and January) and France seeing faster job cuts.

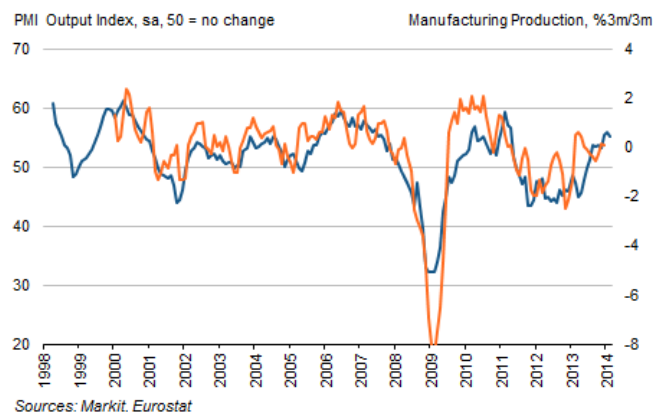
Finally, on the price front, pipeline pressures at manufacturers remained subdued in February, providing further evidence that inflation in the eurozone will continue to run at a below target rate.

Input cost inflation moderated to the weakest in the current six-month sequence, while average selling prices rose at the slowest pace since last October. Charges rose in France and Germany, but declined (on average) outside of the big-two nations.

### Manufacturing Output: France



### Manufacturing Output: Rest of eurozone\*



\*weighted average of Italy, Spain, the Netherlands, Austria, Republic of Ireland and Greece – Markit calculation using Eurostat data

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