

Eurozone

Flash Eurozone PMI data point to worsening GDP and employment trends in February

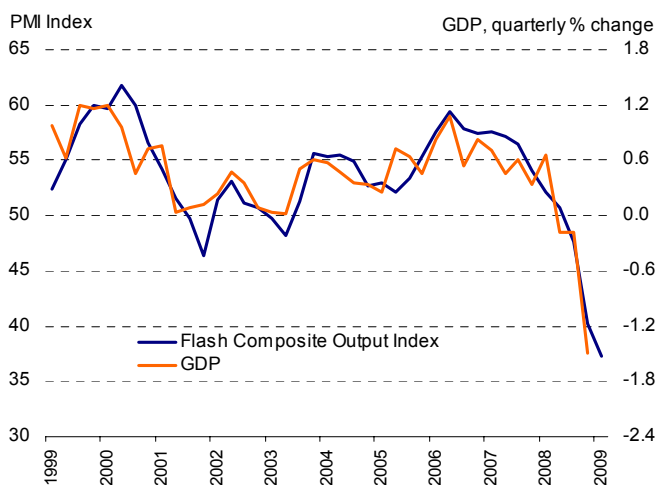
Key findings

- **Rate of GDP contraction to accelerate in Q1.**
- **Manufacturing output falling at double-digit annual rate.**
- **Employment trend to worsen markedly.**

New survey lows seen in February

All main indices from the Markit Flash Eurozone PMI survey slumped to record lows in February, suggesting a further marked worsening in business conditions within the euro area. Several indices had recovered some ground in January, providing some glimmers of hope that a bottoming-out may have been reached, but the resumption of the down-trend in the indices in February indicates that worse may still be to come in terms of rates of contraction of output and employment.

Eurozone GDP to contract again in Q1...

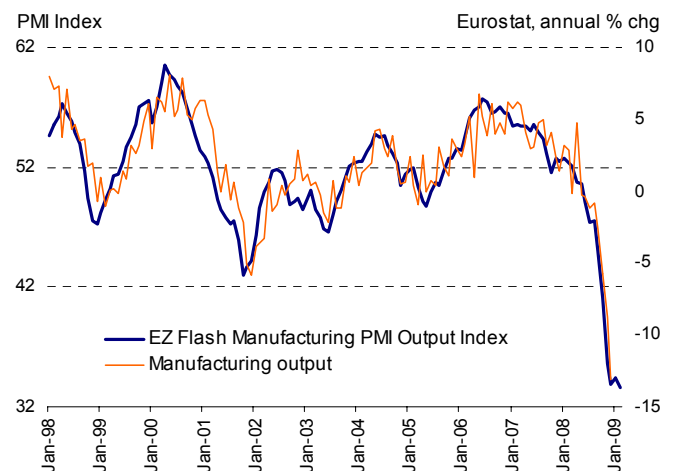


GDP fell by some 1.5% on the previous quarter in Q4 of last year – representing a marked acceleration in the

rate of contraction from the 0.2% declines seen in the previous two quarters. Looking at quarterly averages of the PMI survey's Output Index (47.6 in Q3, 40.2 in Q4 and 37.2 in the first two months of Q1), it is likely that – unless the Index moves sharply higher in March – the rate of decline will have gathered pace again in Q1.

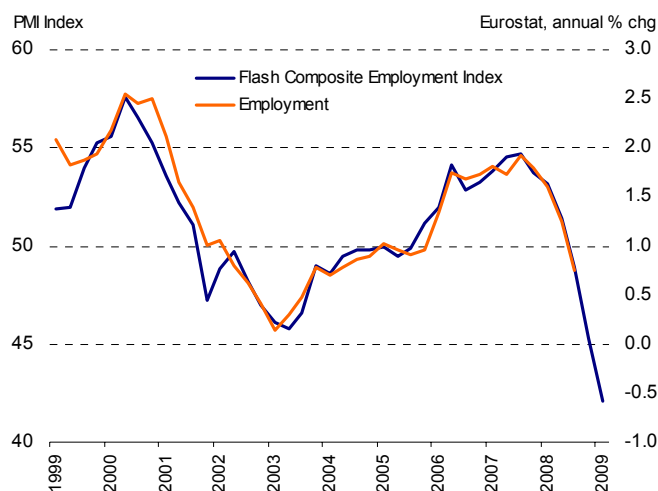
However, it should be noted the quarterly GDP contraction in Q4 was somewhat greater than the PMI had signalled, likely to have reflected a steeper fall in service sector output than consistent with the PMI services data.

...led by falling manufacturing output



Although record rates of decline were seen for both manufacturing and services in the February Flash PMI, the economic downturn continued to be led by manufacturing. The Flash PMI indicates that manufacturing output continued to fall sharply on levels of a year ago in February, with the annual rate of decline gathering pace on the 13% drop recorded by official Eurostat data in December.

Employment trend to worsen



Falling output tends to be followed by falling employment, and the Flash Eurozone PMI Composite Employment Index plumbed a new low in February. Comparing quarterly averages of the PMI data against Eurostat quarterly employment data for the euro area suggests that the data for the first two months of Q1 are consistent with actual employment falling approximately 0.5% on a year ago. This would be the first annual decline since 1994.

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