



The euro area composite PMI is in line with euro area GDP growth of around +0.4% qoq as we move into 2016, consistent with our expectation for Q1 (Figure 4). The surveys are broadly in line with our Q1 expectations across the EMU4 countries, with the exception of the weak French PMI, although the French INSEE survey is more positive (see below for more details).

Figure 4: Q1 2015 GDP outlook

Country	Composite PMI [^]	National Surveys [^]	DB	Consensus *
Euro area	0.4	0.6	0.4	0.3
Germany	0.5	0.5	0.5	0.4
France	0.1	0.4	0.4	0.5
Italy	0.3	0.5	0.4	0.3
Spain	0.5	0.9	0.6	0.6

Source: Deutsche Bank, Markit, National statistical agencies, Eurostat, Haver Analytics

Country details

Germany January composite PMI came exactly in line with the flash reading (54.5 vs 55.5 Dec). While manufacturing was slightly up it is still lower than the December print (52.3 vs 52.1 flash and 53.1 Dec). Services were slightly down from the flash and December numbers (55.0 vs 55.4 flash and 56.0 Dec). The more domestically oriented services sector PMI continues to perform well, in line with our overall story of services/domestically driven solid growth in Germany.

The decline of the PMI in January pushed it below the Q4 level, but it remained above the 2015 level of 54.2. Based on one month's data, the PMI signals a healthy GDP growth of 0.5% qoq, which is in line with our current Q1 GDP forecast, and would be an acceleration from Q4 GDP growth, which is expected by the Statistical Office to be around ¼% qoq. The detailed Q4 release is due on 12 February. We expect underlying growth to be solely domestically driven and for this picture to continue into Q1.

France The latest January composite PMI came in slightly lower than flash estimate but still higher than in December (50.2 vs 50.5 flash, 49.8 Dec). The downward revision was due to services (50.3 vs 50.5 flash, 49.8 Dec) while manufacturing stayed flat showing no signs of expansion or contraction (50.0 vs 50.0 flash and 51.4 Dec).

The PMIs appear weak, pointing to a French economy that recovered from the November Paris attacks but is still close to stalling. Especially so in manufacturing, while services point to a small expansion. The INSEE surveys point to a slightly more optimistic picture. The overall business confidence indicator is above its long-term average of 100 at 101.8. More importantly, the construction index, while still below its long-term average of 100 is now at 93 and keeps on gradually increasing every month. Contrary to the PMI, the INSEE surveys point to a relatively more disappointing services sector compared to the rest of the economy (Figure 5). We still expect the French economy to grow at 0.4% qoq in Q1 2016, driven by a pick-up in investment as observed in Q4 2015, with the construction sector showing signs of stabilization and steady consumption helped by the small tax cuts coming into effect.