

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) November 6th 2018**

## IHS Markit Eurozone Composite PMI<sup>®</sup> – final data

Includes IHS Markit Eurozone Services PMI<sup>®</sup>

### Eurozone growth weakens to lowest in over two years

#### Key findings:

- Final Eurozone Composite Output Index: **53.1** (Flash: 52.7, September Final: 54.1)
- Final Eurozone Services Business Activity Index: **53.7** (Flash: 53.3, September Final: 54.7)

Data collected October 11-26

October saw the euro area economy expand at its slowest rate for more than two years, according to the final **IHS Markit Eurozone PMI<sup>®</sup> Composite Output Index**. Despite coming in higher than the earlier flash estimate of 52.7, October's final reading of 53.1 was down from the previous month's 54.1 to the lowest since September 2016.

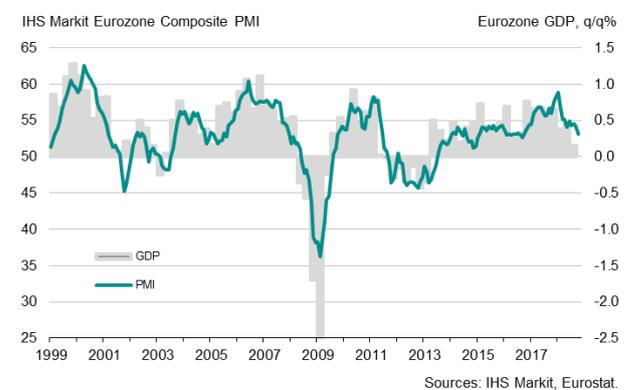
Both the manufacturing and service sectors recorded slower rates of growth during October. Following on from September, manufacturing registered the weaker increase in output, posting its lowest growth in nearly four years. Despite remaining at a solid level, the service sector saw its slowest expansion since the start of 2017.

By nation, the strongest increase in activity was again seen in Ireland, despite output rising at its slowest rate for seven months. Both France and Spain recorded firmer gains in activity, with growth in each case remaining above historical averages.

In contrast, Germany saw growth slump to a 5-month low and the joint lowest in over two years, whilst Italy registered a fall in activity for the first time since the end of 2014.

The downturn in overall activity growth was linked to a weaker gain in incoming new business. October's survey data showed new work rising at a modest pace that was the slowest since September 2016.

#### IHS Markit Eurozone Composite PMI



#### Countries ranked by Composite PMI\*:

Ireland	56.1	7-month low
France	54.1 (flash: 54.3)	2-month high
Spain	53.7	4-month high
Germany	53.4 (flash: 52.7)	5-month low
Italy	49.3	59-month low

\* Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.

Capacity remained under some pressure in October as backlogs of work increased again. Although modest, backlogs have risen continuously for nearly three-and-a-half years, a rise which continued to encourage companies to take on extra staff. Indeed, employment rose markedly, extending the current sequence of growth to four years. Staffing levels rose at elevated rates in Germany, France and Ireland, compared to much more modest gains in Italy and Spain.

Meanwhile, prices data signalled another sharp increase in company operating expenses. Rising energy and fuel prices were widely reported to have underpinned inflation, whilst there was some evidence of higher labour costs (especially in Germany).

In response to higher costs, companies increased their output prices at a historically elevated rate, although inflation varied by country. Whilst Germany recorded a strong increase in prices charged, there was only modest inflation in France and Spain, plus little change in prices recorded in Italy.

Finally, concerns over future activity persisted in October as business confidence slipped to its lowest for nearly four years. Companies continued to report worries over global protectionist measures and recent political developments.

## Services

At 53.7 in October, the final **IHS Markit Eurozone PMI<sup>®</sup> Services Business Activity Index** came in slightly higher than the earlier flash reading of 53.3. However, the index was down from September's 54.7 and represented the slowest expansion since the start of 2017.

October's survey showed slower growth of activity in Germany (3-month low) and Ireland (7-month low), whilst Italy recorded a contraction of activity for the first time since May 2016. In contrast, France and Spain registered faster growth, though rates of expansion remained well down on those seen around the turn of the year.

Levels of incoming new work increased solidly, albeit at the slowest rate since May. Nonetheless, with new work having now risen continuously for nearly four years, capacity pressures persisted as highlighted by another increase in backlogs of work. Service sector jobs growth remained elevated as a result, with October's net increase in jobs only slightly lower than September's near 11-year peak.

Cost pressures persisted, as higher prices for energy and fuel, alongside increased wages, led to another noticeable upturn in service providers' operating expenses. A marked increase in output charges was registered as firms, especially those based in Germany, sought to protect margins through an increase in their own prices.

Finally, business confidence softened in the latest survey period as political concerns weighed on sentiment. Most notably, German service providers saw expectations drop to a near two-year low.

## Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

*"Eurozone companies reported a disappointing start to the fourth quarter. Business activity is growing at its slowest rate for over two years and expectations have slumped to the bleakest since the end of 2014.*

*"An export-led slowdown, linked to growing trade tensions and tariffs, has been exacerbated by rising political uncertainty, growing risk aversion and tightening financial conditions. The slowdown has consequently become more broad-based to increasingly envelop the services economy.*

*"While the PMI numbers hint at an upward revision to the 0.2% flash estimate of third quarter GDP growth, it's clear that the economy has slowed and that the weakness has intensified into the fourth quarter.*

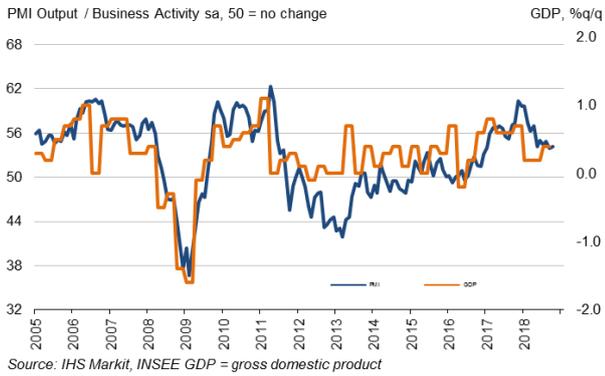
*"Italy has recorded an especially noticeable slowdown, slipping into decline during October, whilst Germany has also seen a worrying easing of growth, with both countries affected by rising political uncertainty. France and Spain, in contrast, have seen more resilient business conditions, though both are registering much slower growth than earlier in the year."*

-Ends-

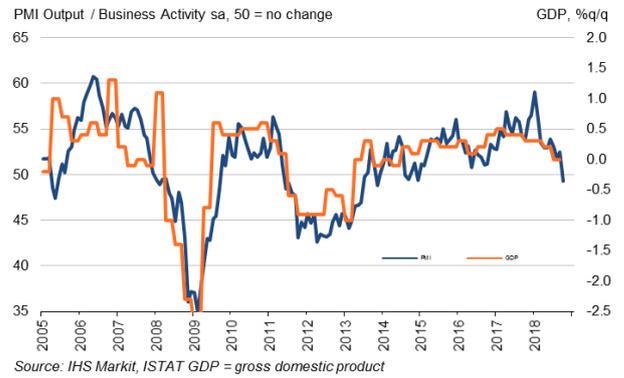
\*\* [Click here](#) for further details of using the PMI to measure GDP in advance.

† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

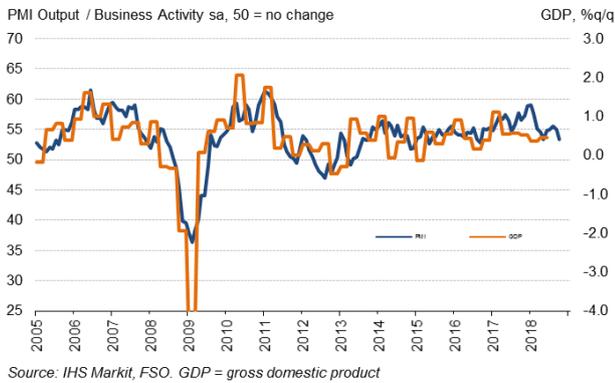
### France



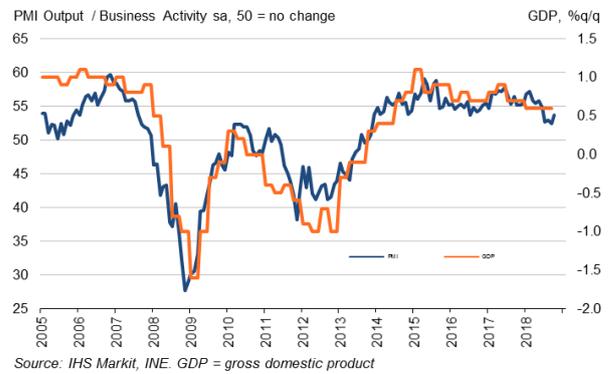
### Italy



### Germany



### Spain



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**Note to Editors:**

The Eurozone Composite *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 5,000 manufacturing and services firms. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland.

The Eurozone Services *PMI* (*Purchasing Managers' Index*) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite *PMI* and Services *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The October composite flash was based on 89% of the replies used in the final data. The October services flash was based on 83% of the replies used in the final data. **Data were collected 11-26 October.**

The average differences between the flash and final *PMI* index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Eurozone Composite Output <i>PMI</i>	0.0	0.2
Eurozone Services Business Activity <i>PMI</i>	0.0	0.3

The ***Purchasing Managers' Index (PMI)*** survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI* surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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**About PMI**

*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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