IHS Markit Eurozone Composite PMI® – final data
Includes IHS Markit Eurozone Services PMI®

Eurozone growth hits 15-year high

Key findings:

- Final Eurozone Composite Output Index: **59.5** (Flash: 59.2, May Final: 57.1)
- Final Eurozone Services Business Activity Index: **58.3** (Flash: 58.0, May Final: 55.2)

Data collected 11-25 June

The eurozone private sector economy expanded at its fastest rate for 15 years during June, underpinned by surging levels of output across both manufacturing and service sectors.

After accounting for seasonal factors, the IHS Markit Eurozone PMI® Composite Output Index recorded a reading of 59.5, up from 57.1 in May. June marked not only the fourth successive month that the index has posted above the 50.0 no-change mark, but the highest index level since June 2006.

The latest strengthening of the index reflected a marginal improvement in growth of manufacturing output (and to a rate that was close to March’s survey record) as well as an improvement in service sector expansion to its best since mid-2007.

Ireland registered the fastest rate of output growth, even though it edged down slightly on May’s survey record. All other nations monitored recorded firmer gains in composite activity, led by Spain – the best since February 2000 – and Germany, where growth hit its highest for over a decade. Italy and France both registered their best performances for nearly three-and-a-half years.

Levels of incoming new business placed with private sector companies in the eurozone rose at a substantial pace. Growth was the best for 21 years, according to June’s survey data.

Moreover, there were reported gains from both domestic and international demand sources over the month. New export business, driven in the main by strong manufacturing performance, rose at the sharpest rate since composite data were first available in September 2014.

Capacity inevitably came under pressure over the month, as evidenced by a rise in backlogs of work for the fourth successive month and at a new series record pace (combined backlogs of work data for the private sector were first collected in November 2002).

Staffing levels were subsequently increased for a fifth successive month. The rate of expansion strengthened also, reaching its highest level since the start of 2018. Ireland, Germany and Spain led the way in terms of employment growth.
Confidence in the outlook improved to its highest ever recorded level during June (since mid-2012), as firms signalled optimism that activity will continue to rise sharply in the coming months.

However, cost pressures remained a concern: operating expenses rose in June at a historically elevated rate, with inflation hitting its strongest since September 2000. This helped drive output charges up to the sharpest degree in nearly 19 years of data availability.

**Services**

The IHS Markit Eurozone PMI® Services Business Activity Index remained comfortably above the 50.0 no-change mark during June, reaching its highest level since July 2007. After accounting for seasonal factors, the index recorded 58.3, up from 55.2 and signalling growth for a third successive month.

Once again, all nations recorded noticeable increases in activity, led by Ireland and Spain. The general easing of COVID-19 restrictions helped to support market activity, according to panellists. This helped to support a noticeable and accelerated increase in new business volumes. Growth in new work was the best recorded by the survey since July 2007.

Capacity did, however, come under noticeable pressure as evidenced by a rise in backlogs of work outstanding for the third month in succession. The net increase was the sharpest recorded since May 2000 and encouraged firms to take on additional staff. Employment in the service sector overall rose for a fifth successive month and growth accelerated to the strongest since October 2018.

Increased demand for staff led to some wage pressures and, along with generally higher prices for goods, fuel and utilities, operating expenses rose at the strongest rate since July 2008. Output charges were raised in response to the greatest degree since October 2000.

Finally, business confidence about the future was the best since August 2000 as firms grew increasingly confident that the recent positive trend in activity will be sustained as the adverse economic effects of the pandemic recede.

**Comment**

Chris Williamson, Chief Business Economist at IHS Markit said:

“Europe’s economic recovery stepped up a gear in June, but inflationary pressures have also ratcheted higher.

“Business is booming in the eurozone’s service sector, with output growing at a rate unsurpassed over the past 15 years. Added to the impressive growth seen in the manufacturing sector, the PMI surveys suggest the region’s economy is firing on all cylinders as it heads into the summer.

“Service sector growth has picked up across the board among the countries surveyed, with hard-hit sectors such as hospitality and tourism now coming back to life to join the recovery as economies and travel are opened up from virus-related restrictions.

“A wave of optimism that the worst of the pandemic is behind us has meanwhile propelled firms’ expectations of growth to the highest for 21 years, boding well for the upturn to gain further strength in coming months.

“Firms are increasingly struggling to meet surging demand, however, in part due to labour supply shortages, meaning greater pricing power and underscoring how the recent rise in inflationary pressures is by no means confined to the manufacturing sector. Service sector companies are hiking their prices at the steepest pace for over 20 years as costs spike higher, accompanying a similar jump in manufacturing prices to signal a broad-based increase in inflationary pressures.”

**-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

Germany

Italy

Spain

Source: IHS Markit, INSEE. GDP = gross domestic product.
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Note to Editors:

The Eurozone Composite PMI® (Purchasing Managers’ Index®) 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 June composite flash was based on 89% of the replies used in the final data. The June services flash was based on 84% of the replies used in the final data.

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):

<table>
<thead>
<tr>
<th>Index</th>
<th>Average difference</th>
<th>Average difference in absolute terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurozone Composite Output PMI</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Eurozone Services Business Activity PMI</td>
<td>0.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>

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.

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Purchasing Managers’ Index® (PMI®) 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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