

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 23 May 2019

IHS Markit Flash Eurozone PMI®

Flash PMI signals subdued business growth amid stagnant demand

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 51.6 (51.5 in April). 2-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.5 (52.8 in April). 4-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 49.0 (48.0 in April). 3-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 47.7 (47.9 in April). 2-month low.

Data collected May 13-22

The pace of eurozone economic growth remained subdued in May amid stagnant demand. Jobs growth slipped to the joint-lowest since 2016 as firms scaled back expansion plans in the light of weak sales. Optimism about the future meanwhile slumped to a four-and-a-half year low and inflationary pressures moderated as competition limited sellers' pricing power.

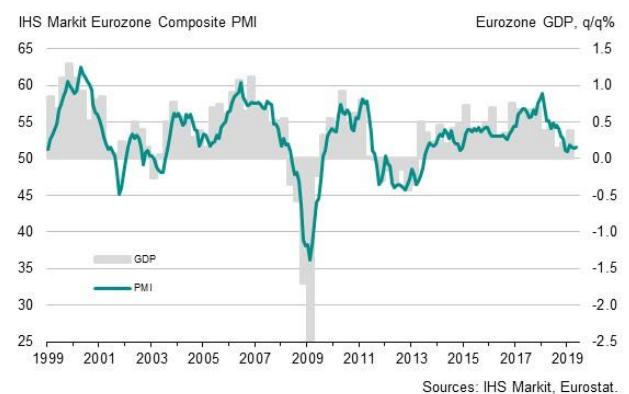
The IHS Markit Eurozone Composite PMI® recorded 51.6 in May, according to the preliminary 'flash' estimate, up only fractionally from 51.5 in April. The weak reading puts growth in the second quarter so far on a par with the lacklustre gain seen in the first quarter and is among the lowest recorded since mid-2013.

After rising to a modest five-month high in April, growth of new business waned again in May to show only the smallest of increases. New export* orders fell markedly again, down for an eighth successive month, though the decline was less steep than in the prior two months.

The lack of new business meant backlogs of work fell for the fifth time in the past six months, reflecting the near-absence of new business growth and indicative of spare capacity developing.

* Includes intra-eurozone trade

IHS Markit Eurozone PMI and GDP



Manufacturing once again reported the tougher conditions, with output down for a fourth straight month and new orders falling for an eighth month, led by a further steep drop in goods exports. However, rates of decline of output, new orders and exports all eased for a second successive month.

The service sector continued to grow, but the rate of expansion was the weakest since January amid sluggish growth of new work. With the exception of the soft patch seen at the turn of the year, new business inflows were the lowest since 2014.

Looking ahead, companies reined-in their expectations of growth in the coming year to the lowest since October 2014. Expectations hit the lowest since 2014 in services and remained among the weakest since 2012 in manufacturing, despite lifting higher for a second month running.

With new orders near-stagnant and optimism deteriorating, companies pulled back on hiring, resulting in the joint-smallest gain in employment since September 2016. Manufacturing jobs fell for the first time since August 2014, lost at the fastest rate since November 2013. By comparison, service providers remained more confident to hire, yet the net rise in jobs cooled from April's six-month high.

Input cost inflation across the two sectors moderated to the second-lowest since November 2016, often linked to suppliers offering more discounts (or not raising prices) in order to boost sales. Similarly, average prices for goods and services showed the smallest increase since July 2017 as intense competition limited pricing power.

Weak price pressures were especially evident in manufacturing, where input costs showed the smallest rise for nearly three years as suppliers increasingly fought on price for business. Factory gate selling price inflation also remained muted, the second-lowest since November 2016.

Input price inflation remained more elevated in services, largely reflecting higher wages. Average selling prices for services nonetheless rose at the slowest rate for just over a year.

The flash estimate is typically based on approximately 85% of the final number of replies received each month, covering all countries included in the final PMI readings. However, only national data for France and Germany are published.

Growth edged higher in **Germany**, thanks to sustained service sector growth and an easing in the rate of decline of manufacturing output. However, new orders fell and overall jobs growth was the lowest for just over three years. Germany's factory sector remains in one of its worst spells since 2009, with a steep downturn in exports feeding through to increased job cuts in May. While the service sector remained more resilient, growth hit a four-month low and future expectations hit the joint-lowest since 2014.

Growth also perked up in **France**, rising to a six-month high, albeit remaining subdued and just below the eurozone average. Growth accelerated moderately in services while the recent factory downturn showed signs of ending, with output close to stable. Future expectations slipped lower, however, deteriorating in both sectors.

Elsewhere, business activity growth hit the weakest since November 2013, now running close to stagnation in both the manufacturing and service sectors, as new business levels fell (albeit only marginally) for the first time since July 2013.

Comment

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

"The eurozone economy remained becalmed in the doldrums in May, adding to signs that only modest growth will be achieved in the second quarter. At current levels the PMI is so far indicating GDP growth of only 0.2% in the second quarter.

"A renewed deterioration in optimism about the year ahead suggests that the business situation could deteriorate further in coming months. Worries reflected concerns over lower economic growth forecasts, signs of weaker sales and rising geopolitical uncertainty, with escalating trade wars and auto sector woes commonly cited as specific causes for concern.

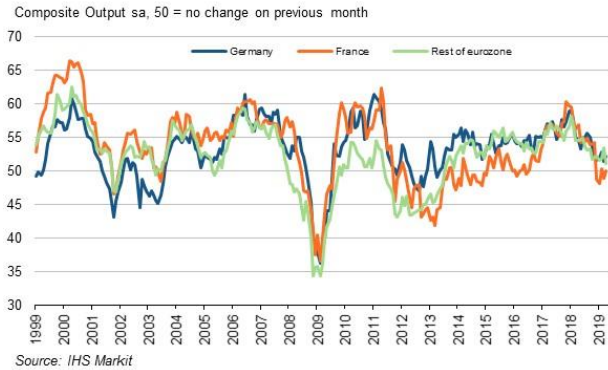
"Sector divergences remain marked, with manufacturing still in decline and the region therefore reliant on the service sector to support growth.

"While some encouragement can be gained from the manufacturing sector showing signs of its downturn having bottomed out in March, the concern is that the slowdown is spreading to the service sector, where new business growth has slipped to one of the weakest seen since 2014.

"Germany is on course for a 0.2% expansion of GDP in the second quarter while the survey for data France point to a meagre 0.1% gain. However, the bigger concern is for the rest of the region, which collectively saw growth falter amid the first fall in orders for almost six years."

-Ends-

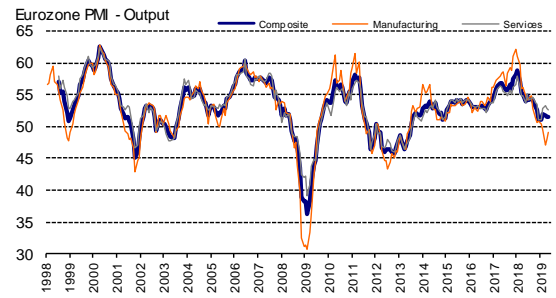
Core v. Periphery PMI Output Indices



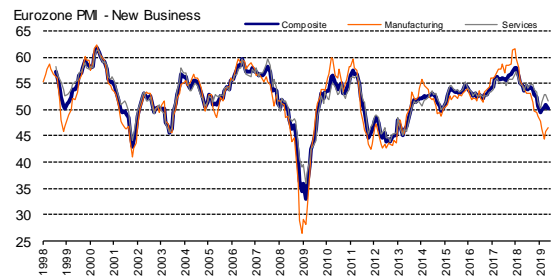
Core v. Periphery PMI Employment Indices



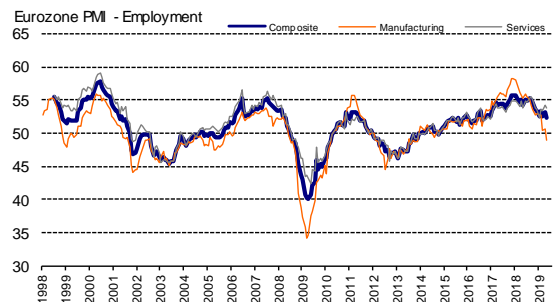
Output



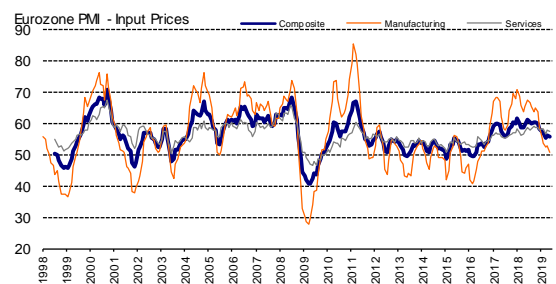
New business



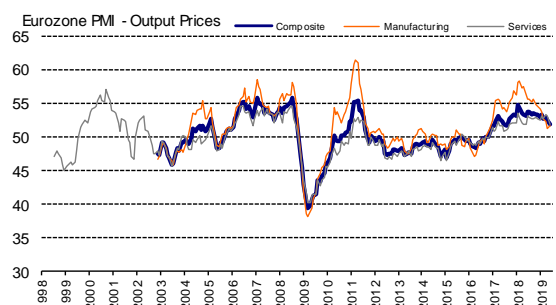
Employment



Input prices



Output prices



Source: IHS Markit.

Summary of May data

Output	Composite	Modest rise in output.
	Services	Growth of services activity softens.
	Manufacturing	Fourth successive fall in manufacturing output.
New Orders	Composite	New orders broadly unchanged.
	Services	New business rises only slightly.
	Manufacturing	Further reduction in new orders.
Backlogs of Work	Composite	Outstanding work falls for third month running.
	Services	Marginal increase in work-in-hand.
	Manufacturing	Sharp depletion of backlogs of work.
Employment	Composite	Rate of job creation at four-month low.
	Services	Solid rise in staffing levels.
	Manufacturing	Employment falls for first time in 57 months.
Input Prices	Composite	Marked increase in input prices.
	Services	Cost inflation little-changed from April.
	Manufacturing	Weakest rise in input costs in almost three years.
Output Prices	Composite	Slowest rise in charges since July 2017.
	Services	Output prices increase at weakest pace in just over a year.
	Manufacturing	Modest selling price inflation.
PMI⁽³⁾	Manufacturing	PMI at two-month low of 47.7.

For further information, please contact:

IHS Markit

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-555-5061
Email chris.williamson@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

Final May data are published on 3 June for manufacturing and 5 June for services and composite indicators.

The Eurozone *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 companies based in the euro area manufacturing and service sectors. 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 flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* 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):

Index	Average difference	Average difference in absolute terms
Eurozone Composite Output Index ¹	0.0	0.2
Eurozone Manufacturing <i>PMI</i> ²	0.0	0.1
Eurozone Services Business Activity Index ²	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.

Notes

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

About PMI

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>.

The intellectual property rights to the Flash Eurozone *PMI[®]* provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and *PMI[®]* are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).