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

Eurozone growth softens as manufacturing downturn deepens

Key findings:
- Final Eurozone Composite Output Index: 51.5 (Flash: 51.5, June Final: 52.2)
- Final Eurozone Services Business Activity Index: 53.2 (Flash: 53.3, June Final: 53.6)

Data collected July 12-26

The IHS Markit Eurozone PMI® Composite Output Index slipped closer to the 50.0 no-change mark during July. Unchanged on the earlier flash reading, the index posted 51.5, a level indicative of only modest growth and down from June’s seven-month high of 52.2.

The headline index continues to mask notable differing performances between the manufacturing and services economies. Whilst service sector activity rose at a solid, albeit slightly slower pace, there was a notable and accelerated fall in manufacturing production during July. Latest data showed that goods output fell for a sixth successive month and to the greatest recorded degree since April 2013.

The most prominent encapsulation of these trends was seen in Germany, where a rapidly deteriorating manufacturing economy almost entirely offset ongoing robust growth of the service sector. Latest composite data showed Germany expanding at its slowest rate for over six years.

Italy fared little better than Germany, despite growth improving slightly to a four-month high. Modest growth was seen in Spain, but nonetheless the weakest in nearly six years.

France performed best, although even here the rate of expansion was relatively subdued and well below trend.

IHS Markit Eurozone Composite PMI

Countries ranked by Composite PMI*:
- France 51.9 (flash: 51.7) 2-month low
- Spain 51.7 68-month low
- Italy 51.0 4-month high
- Germany 50.9 (flash: 51.4) 73-month low

* Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release. Data for Ireland are released on the 6th August.

Weighing on the performance of the overall eurozone economy in July was ongoing weakness in demand. New work placed with private sector companies rose only slightly, weighed down in the main by another marked reduction in manufacturing order books.

Companies were again broadly able to keep on top of their workloads, as signalled by another reduction in levels of work outstanding. July marked a fifth successive monthly fall in backlogs, with the reduction the sharpest since April.

Helping firms to keep on top of their workloads was another rise in employment, maintaining a trend that stretches back to November 2014. However, in line with softer rises in new work and activity, growth in staffing numbers was the weakest since April 2016.
Hiring was also limited at a time of waning optimism about the future. Latest data showed that confidence was at its lowest level for just under five years, with firms in Germany by far the least positive about activity over the coming 12 months.

Meanwhile, inflationary pressures continued to fade. Dragged down by falling costs in manufacturing, overall operating expenses rose at the weakest pace since September 2016. Similarly, output charges rose only modestly and at the weakest rate in 32 months.

**Services**

July’s IHS Markit Eurozone *PMI*® Services Business Activity Index signalled a solid increase in activity to extend the current period of growth to six years. However, by falling to 53.2, from 53.6 in June, the index indicated a slightly slower rate of expansion.

With the exception of Italy, the ‘big-four’ nations recorded slower gains in services activity in July. Germany continued to record the strongest growth. Despite bucking the wider easing trend, Italy again registered the slowest rise of activity.

Incoming new work continued to increase at a solid, albeit slower rate, whilst firms registered a net increase in backlogs of work: the third in successive months. Jobs were again added and, despite the rate of growth easing to its weakest since March, the net increase remained historically marked. Germany again led the way in terms of employment gains during July, although growth softened to a six-month low.

On the cost front, higher wages led to another robust increase in overall operating expenses in the euro area service sector. Although charges were raised at a solid pace, the increase remained much lower than that of input costs.

Finally, business confidence strengthened during July to its highest level in three months. There was a notable uptick in confidence seen amongst French services companies, whilst firms in Italy were the most optimistic overall. Conversely, German service providers registered their lowest level of confidence since the end of 2014.

**Comment**

Chris Williamson, Chief Business Economist at IHS Markit said:

“The service sector continued to sustain the expansion of the overall eurozone economy at the start of the third quarter, but there are signs that the scale of the manufacturing downturn is starting to overwhelm.

“Trade war worries, slower economic growth, falling demand for business equipment, slumping auto sales and geopolitical concerns such as Brexit led the list of business woes, dragging manufacturing production lower at its fastest rate for over six years. While the service sector has helped offset the manufacturing downturn, growth also edged lower among service providers in July, meaning the overall pace of expansion of GDP signalled by the PMI has slipped closer to 0.1%.

“The main source of expansion currently appears to be the consumer, in turn buoyed by the relative strength of the labour market. However, with the July survey indicating the weakest jobs gains in over three years, there are signs that this growth engine is also losing impetus, and adding another headwind to the economy for the coming months.”

-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.
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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 July composite flash was based on 89% of the replies used in the final data. The July services flash was based on 83% of the replies used in the final data. Data were collected 12-26 July.

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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