

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Eurozone Manufacturing PMI[®] – final data

Eurozone manufacturing sector growth softens in August

Key findings:

- Final Eurozone Manufacturing PMI at 54.6 in August (Flash: 54.6, July Final: 55.1)
- Firmer output growth, but new orders rise at slowest rate for two years
- Concerns about tariffs and global trade weigh on confidence

Data collected August 13-23

IHS Markit Eurozone Manufacturing PMI

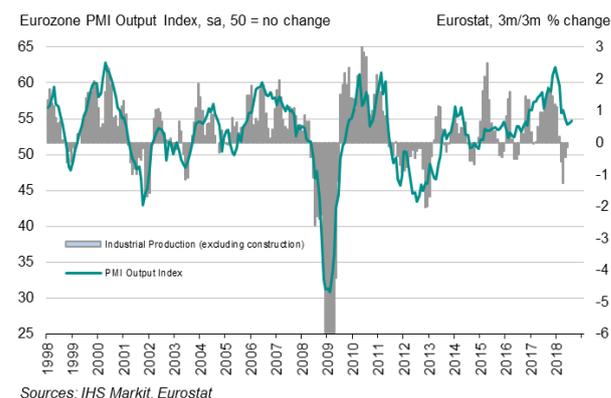


Manufacturing operating conditions in the eurozone continued to strengthen during August, maintaining a run of expansion that now stretches to 62 months. However, posting 54.6, unchanged from the earlier flash-estimate, but down from July's 55.1, the final IHS Markit Eurozone PMI pointed to the slowest growth since November 2016.

Reflective of the loss of momentum experienced by the sector in 2018 to date, the headline PMI is now six points lower than December 2017's record high. Similar trends were observed at the market group level, with business conditions improving at slower rates across the consumer, intermediate and investment goods categories in August. Investment goods continued to perform the strongest, followed by intermediate goods.

Countries ranked by Manufacturing PMI: August

Netherlands	59.1	2-month high
Ireland	57.5	7-month high
Austria	56.4	20-month low
Germany	55.9 (flash: 56.1)	2-month low
Greece	53.9	3-month high
France	53.5 (flash: 53.7)	3-month high
Spain	53.0	2-month high
Italy	50.1	24-month low



There remained a notable divergence between the strongest and weakest performing manufacturing sectors at the country level. The Netherlands and Ireland led the way, with growth rates both ticking up since July. Austria and Germany continued to enjoy robust rates of expansion, whilst Greece, France and Spain all turned in solid growth performances. In contrast, Italy registered its worst manufacturing PMI reading for two years, with operating conditions little-changed since July.

Eurozone manufacturing output rose further in August, with growth improving to its highest in three months. Growth strengthened despite the level of new orders increasing at the slowest rate for two years. In a number of instances, this left manufacturers with an excess of stock at their plants.

Warehouse inventories subsequently rose slightly in August.

The slowdown of the manufacturing sector during 2018 has coincided with a similar weakening of export trade. August's data showed that new export orders* rose at a rate unchanged on July's near two year low. Weaker gains in new export orders were seen in Germany, Italy and Spain, whilst only marginal growth was registered in France, following a decline in July. Greece, the Netherlands and Ireland all saw stronger gains, whilst there was a return to modest growth in Austria.

With backlogs of work continuing to increase during August, albeit at the slowest rate in over two years, manufacturers continued to add to their payroll numbers. Overall employment growth was again historically elevated, although the net gain was the lowest recorded by the survey since February 2017. There were job gains across all nations covered, with growth led by Germany and the Netherlands. In contrast, relatively modest gains were seen in France and Italy.

On the price front, input cost pressures remained elevated, despite the rate of inflation easing to a three-month low. Steel and oil-related goods were reported to be up in cost, whilst there were several reports of increased prices for agricultural products. Supply-side shortages also underpinned inflation, according to anecdotal evidence. Reflective of a lack of inventory at suppliers, average lead times for the delivery of inputs continued to lengthen noticeably in August.

Manufacturers sought to pass on their higher costs to clients by raising their own charges. The rate of inflation remained historically marked, albeit the lowest recorded for a year.

Finally, global trade tensions and the possibility of further tariff impositions weighed on expectations during the latest survey period. Business optimism was lower than in July and subsequently remained well down on levels seen around the turn of the year.

Comment

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

“Eurozone factories reported a further solid production gain in August, but prospects dimmed further as growth of new orders hit a two-year low and worries about the outlook deepened.

“The slowdown in demand compared to the surging pace of expansion seen earlier in the year is being driven primarily by export orders rising at the slowest rate for nearly two years. Some of the slowdown in exports can be attributed to the appreciation of the euro since earlier in the year, but companies are also reporting signs of demand cooling and risk aversion intensifying.

“Worries about trade wars and the damaging impact of tariffs, as well as Brexit and other political worries, all contributed to a dampening of business optimism about the year ahead. Business expectations were the second-lowest since November 2015.

“In this environment, it was not surprising to see job creation slip to the lowest for one and-a-half years, albeit remaining relatively robust.

“One positive was a cooling of price pressures, which fed through to the smallest rise in factory selling prices for a year and could help bring consumer inflation down in coming months.”

-Ends-

* Includes intra-eurozone trade.

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Note to Editors:

The Eurozone Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 89% of eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The August 2018 flash was based on 90% 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):

Index	Average difference	Average difference in absolute terms
Eurozone Manufacturing <i>PMI</i>	0.0	0.2

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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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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