IHS Markit Flash Eurozone PMI®

**Flash PMI signals lacklustre start to second quarter as growth slows**

**Key findings:**
- Flash Eurozone PMI Composite Output Index\(^{(1)}\) at 51.3 (51.6 in March). 3-month low.
- Flash Eurozone Services PMI Activity Index\(^{(2)}\) at 52.5 (53.3 in March). 3-month low.
- Flash Eurozone Manufacturing PMI Output Index\(^{(4)}\) at 48.1 (47.2 in March). 2-month high.
- Flash Eurozone Manufacturing PMI\(^{(3)}\) at 47.8 (47.5 in March). 2-month high.

Data collected April 10-17

The pace of eurozone economic growth slowed for a second successive month in April, according to flash PMI survey data, indicating that the economy remains in its worst growth spell since 2014. Manufacturing reported a further contraction and service sector growth cooled.

A solid service sector performance in Germany helped sustain the expansion, offsetting a sharp manufacturing downturn. France meanwhile stagnated and the rest of the region saw the worst growth since late-2013.

The IHS Markit Eurozone Composite PMI\(^{(5)}\) fell from 51.6 in March to 51.3 in April, according to the preliminary ‘flash’ estimate. The latest reading was the third-lowest since November 2014, only marginally above the recent lows seen in December and January. The flash PMI is typically based on around 85% of the final number of replies received each month.

New order growth picked up only marginally, remaining close to stagnant. New export orders\(^{1}\) fell sharply, down for a seventh straight month to continue the worst period of export performance since comparable data covering both goods and services were first available in 2014.

Backlogs of work dropped for the fourth time in the past five months and have not shown any growth since last November. The reduction in backlogs was only fractionally smaller than in March, which had seen the steepest decline since December 2014.

Employment growth picked up slightly but remained among the lowest since 2016. Firms often remained reluctant to take on additional staff in the face of weak demand and an uncertain outlook.

Business expectations about the year ahead continued to run at one of the gloomiest levels since late-2014, dipping for a second successive month to the lowest since January.

Reduced optimism was often linked to the recent slowing in demand and lower sales enquiries, as well as downgraded forecasts for economic growth. Specific concerns focused on rising political uncertainty, including Brexit, trade wars and protectionism. The weakness of the auto sector was also again often cited as an area of concern.

Although input cost inflation across the euro area accelerated for the first time in seven months from

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\(^{1}\) Includes intra-eurozone trade
March’s two-and-a-half year low, in part driven by higher oil prices, average prices charged for goods and services rose as at the slowest rate for 20 months as weak demand stifled pricing power.

Manufacturing output fell for a third month in a row, with new orders down for a seventh successive month. Although rates of contraction eased in both cases, the declines were the steepest for six years with the exception of those seen in March. Input buying decreased and employment growth remained close to stagnation, down markedly on a year ago. The headline manufacturing PMI consequently remained below 50 for a third straight month, up from March but still at its second-lowest since April 2013. A drop in future optimism in the factory sector to the lowest since 2012 added to the downbeat assessment.

Service sector growth meanwhile cooled from March’s four-month high. With the exception of the recent soft patch seen in December and January, the expansion was the weakest since September 2016. New business growth slowed, backlogs of work declined marginally for a second consecutive month and future expectations deteriorated slightly. Service sector jobs growth nonetheless gained a little momentum, edging up to a five-month high.

By country, France was again a drag on overall eurozone performance, with business activity showing no change and new business inflows dropping for a fifth straight month. A mild expansion of service sector activity was offset by a moderate deterioration in manufacturing. The overall resulting stagnation in April was an improvement on the decline seen in March but still one of the worst performances since mid-2016.

In Germany, business activity grew at an increased pace compared to March but the expansion was merely in line with the modest overall rate of growth seen in the first quarter. New orders fell for a fourth consecutive month and backlogs of work showed the largest fall since June 2013. The expansion was driven by the service sector, where growth inched up to a seven-month high. Manufacturing output fell sharply for a third month running due to a further steep drop in new orders, albeit with the rate of decline easing.

Elsewhere, the rate of output growth sank to the lowest since November 2013, with new orders and jobs growth likewise slackening. Only modest expansions were seen in both manufacturing and services during the month.

Comment

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

“The eurozone economy started the second quarter on a disappointing footing, with the flash PMI falling to one of the lowest levels seen since 2014. The data add to worries that the economy has failed to rebound with any conviction from one-off factors that dampened activity late last year, and continues to show only very modest growth in the face of headwinds from slower global demand growth and subdued economic sentiment.

“The surveys indicate that quarterly eurozone GDP growth has slowed to just under 0.2%. A similar 0.2% rate of expansion is being signalled for Germany but France stagnated and the rest of the region has moved closer to stalling.

“Manufacturing remained the key area of concern, with output continuing to contract at one of the fastest rates seen over the past six years. Forward-looking indicators showed some signs of improvement but remain deeply in negative territory to suggest the factory malaise has further to run.

“The slowdown also showed further signs of engulfing the service sector, where growth cooled again to one of the weakest rates seen since 2016. Some encouragement can be gleaned from an improvement in employment growth, although even here the pace of hiring is among the lowest seen for two-and-a-half years.

“The persistence of the business survey weakness raises questions over the economy’s ability to grow by more than 1% in 2019.”

-Ends-
Core v. Periphery PMI Output Indices
Composite Output sa. 50 = no change on previous month

Core v. Periphery PMI Employment Indices
Composite Employment sa. 50 = no change on previous month

Output
Eurozone PMI - Output

New business
Eurozone PMI - New Business

Employment
Eurozone PMI - Employment

Input prices
Eurozone PMI - Input Prices

Output prices
Eurozone PMI - Output Prices

Source: IHS Markit.
## Summary of April data

<table>
<thead>
<tr>
<th>Category</th>
<th>Composite</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>Services</td>
<td>Slowest rise in services activity for three months.</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>Production falls for third month running.</td>
</tr>
<tr>
<td><strong>New Orders</strong></td>
<td>Composite</td>
<td>Modest rise in new business.</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>New orders continue to decline at sharp pace.</td>
</tr>
<tr>
<td><strong>Backlogs of Work</strong></td>
<td>Composite</td>
<td>Second successive fall in backlogs.</td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>Outstanding business ticks down.</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>Steepest backlog depletion since November 2012.</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>Composite</td>
<td>Solid increase in employment.</td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>Job creation at five-month high.</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>Modest rise in staffing levels.</td>
</tr>
<tr>
<td><strong>Input Prices</strong></td>
<td>Composite</td>
<td>Rate of input cost inflation ticks up.</td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>Sharper increase in input prices.</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>Relatively muted cost inflation.</td>
</tr>
<tr>
<td><strong>Output Prices</strong></td>
<td>Composite</td>
<td>Softest rise in output prices for 20 months.</td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>Solid increase in prices charged.</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>Slowest pace of output price inflation for two-and-a-half years.</td>
</tr>
<tr>
<td><strong>PMI®</strong></td>
<td>Manufacturing</td>
<td>PMI at two-month high of 47.8.</td>
</tr>
</tbody>
</table>
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 April data are published on 2 May for manufacturing and 6 May 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):

<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 Index¹</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Eurozone Manufacturing PMI²</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Eurozone Services Business Activity Index²</td>
<td>0.3</td>
<td></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.

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?”

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About PMI

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