

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 23 August 2021

IHS Markit Flash Eurozone PMI®

Eurozone flash PMI holds close to 15-year high, job market booms

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 59.5 (60.2 in July). 2-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 59.7 (59.8 in July). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 59.2 (61.1 in July). 6-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 61.5 (62.8 in July). 6-month low.

Data collected August 12-20

Eurozone business activity continued to grow at one of the strongest rates seen over the past two decades in August, the rate of expansion cooling only slightly despite widespread supply chain delays. Service sector growth exceeded that of manufacturing for the first time since the pandemic, buoyed by the further reopening of the economy.

Firms' costs and prices charged meanwhile again rose at some of the fastest rates seen over the past 20 years as demand again outstripped supply.

While business confidence was subdued by rising concerns over the Delta variant, hiring remained the strongest for 21 years as firms boosted capacity to meet rising demand.

IHS Markit Eurozone PMI and GDP



The headline IHS Markit Eurozone Composite PMI® fell from a 15-year high of 60.2 in July to 59.5 in August, according to the 'flash' reading*. The latest figure matched that seen in June to register the joint-second-fastest expansion seen since 2006.

Growth in the service sector overtook that of manufacturing for the first time in the recovery from the pandemic as COVID-19 containment measures were eased further during the month to the lowest since the start of the pandemic. Growth in the service sector was marginally slower than July's 15-year high, however, as some firms came under pressure from the recent rise in COVID-19 cases.

Manufacturing output also continued to grow at a pace rarely exceeded in the survey history as a result of the ongoing recovery of demand from the depths of the pandemic, though the rate of expansion moderated for a second month to the weakest since February. Slower production growth was primarily linked to supply chain constraints.

Inflows of new orders meanwhile remained among the highest seen in the past two decades, buoyed by ongoing resurgent demand for goods and services, though in both sectors the rate of increase cooled from recent highs to take the overall order book expansion down to the lowest since May.

The sustained upturn in demand and improved prospects due to rising vaccination rates led to buoyant optimism about the year ahead. Future sentiment remained among the highest seen since comparable data were available in 2012, though moderated for a second month to the lowest since March, linked to concerns over the Delta variant.

Employment meanwhile grew at a rate matching July's 21-year high as firms expanded capacity in line with the recent order book growth and promising outlook. Although some slowing in manufacturing job creation was noted, in part

reflecting labour shortages, service sector jobs growth reached the highest since September 2018.

The further jobs gain helped boost operating capacity and limit growth of backlogs of work during August, though the rise in backlogs was still the third-highest in the survey history after the increases seen in June and July. Manufacturing backlogs again grew especially sharply, though near-record growth was also seen in services.

Rising backlogs of work were again commonly associated with supply shortages, as reflected in another month of near-unprecedented supply chain delays. Suppliers' delivery times – a [key barometer of supply delays](#) – continued to lengthen at one of the sharpest rates ever recorded by the survey in August, albeit with the incidence of delays moderating slightly for a third successive month.

Supply delays, combined with surging demand, nevertheless once again played a key role in driving input costs higher. These costs were commonly passed on to customers in the form of higher selling prices for both goods and services. Measured overall, input cost and selling price inflation rates were the third-highest recorded over the past two decades, exceeded only by the increases seen in June and July.

Within the eurozone, **Germany** continued to lead the expansion, albeit with growth softening from July's 23-year record high. While services growth slowed only marginally from July's record pace, a more marked easing was seen in manufacturing, thanks primarily to supply constraints.

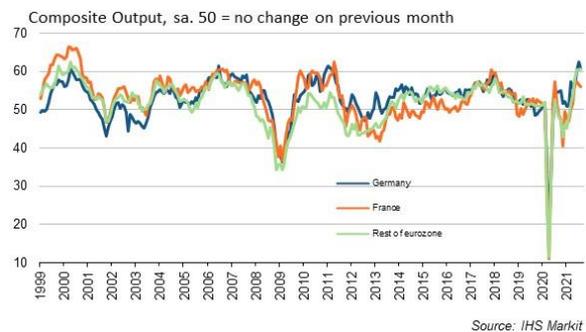
The expansion meanwhile moderated to a four-month low in **France**, cooling further from June's recent peak. Factory output grew at the slowest rate since February, subdued by shortages, and service sector growth eased to the lowest since April, though remained the stronger of the two sectors.

Growth in the **rest of the eurozone** as a whole was the fastest in 21 years, accelerating slightly from July as both manufacturing and services recorded elevated growth rates.

* 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.

** exports include intra-eurozone trade.

Core v. Periphery PMI Output Indices



Core v. Periphery PMI Employment Indices



Comment

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

“The eurozone’s economic recovery retained impressive momentum in August, with the PMI dipping only slightly from July’s recent high to put its average in the third quarter so far at the highest for 21 years.

“Although the spread of the Delta variant caused widespread problems across the region, curbing demand and causing further supply issues, firms benefited from virus containment measures easing to the lowest since the pandemic began.

“Supply chain delays continue to wreak havoc, however, leaving companies frequently unable to meet demand and pushing firms’ costs higher. These costs, combined with surging demand, led to another near-record increase in average selling prices for goods and services, though there are some welcome signs that these inflationary pressures may have peaked for now.

“Encouragement comes from a second month of job creation at the strongest for 21 years, which

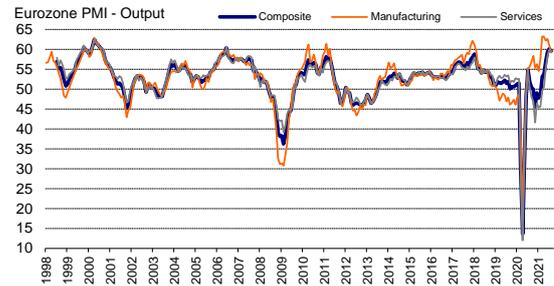
reflects efforts by firms to boost operating capacity and meet demand, which should ultimately further help bring price pressures down. The concern is that we are seeing some upward movement on wage growth as a result of the job market gain, which could feed through to higher inflation, and supply delays from Asia in particular look likely to persist for some time to come.”

-Ends-

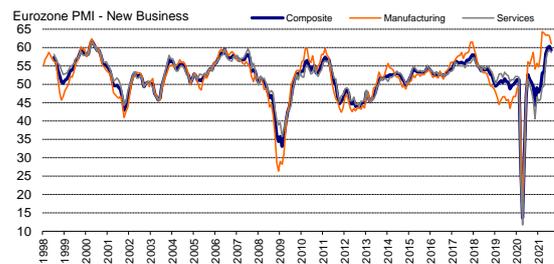
Summary of August data

Output	Composite	Output increases sharply again.
	Services	Further steep rise in activity.
	Manufacturing	Production growth softens to six-month low.
New Orders	Composite	Rate of expansion in new business remains elevated.
	Services	New order growth softens but remains marked.
	Manufacturing	Strong, but weaker rise in new work.
Backlogs of Work	Composite	Near-record increase in outstanding business.
	Services	Backlogs continue to rise rapidly.
	Manufacturing	Work-in-hand up sharply again.
Employment	Composite	Pace of job creation unchanged.
	Services	Joint-fastest increase in employment since October 2007.
	Manufacturing	Slowest rise in staffing levels since May.
Input Prices	Composite	Further strong increase in input costs.
	Services	Input price inflation remains marked.
	Manufacturing	Cost inflation eases to three-month low.
Output Prices	Composite	Near-record inflation of output prices.
	Services	Further sharp rise in charges.
	Manufacturing	Selling prices up rapidly again in August.
PMI⁽³⁾	Manufacturing	PMI at six-month low of 61.5.

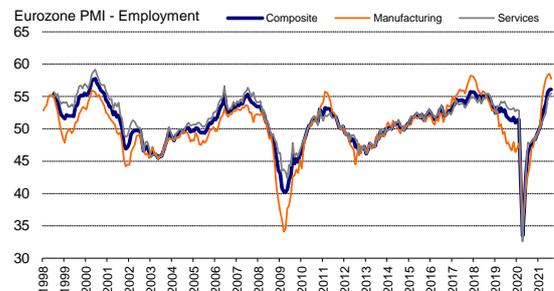
Output



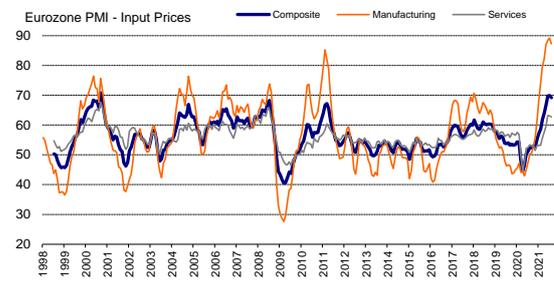
New business



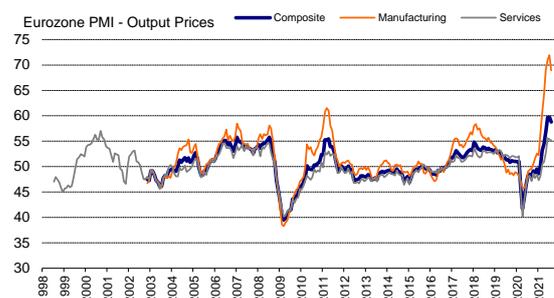
Employment



Input prices



Output prices



Source: IHS Markit.

For further information, please contact:

IHS Markit

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email chris.williamson@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

Final August data are published on 1 September for manufacturing and 3 September 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	0.3
Eurozone Manufacturing <i>PMI</i> ³	0.0	0.2
Eurozone Services Business Activity Index ²	0.1	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?"

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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>.

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