

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

IHS Markit Flash Eurozone PMI[®]

Eurozone flash PMI hits 21 year high as economy reopens

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 60.6 (59.5 in June). 252-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 60.4 (58.3 in June). 181-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 60.9 (62.6 in June). 5-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 62.6 (63.4 in June). 4-month low.

Data collected July 12-22

Eurozone business activity grew at the fastest rate for 21 years in July as the economy continued to re-open from COVID-19 restrictions. The strongest rise in service sector activity for 15 years was tempered, however, by a slowing in manufacturing output growth, linked in many cases to worsening supply lines.

Prices charged for goods and services meanwhile rose at a pace unseen prior to June as demand again outstripped supply. Backlogs of work rose at a joint-survey record rate amid capacity constraints.

Business confidence meanwhile took a hit from rising concerns over the delta variant, pushing sentiment for the year ahead to a five-month low.

IHS Markit Eurozone PMI and GDP



The headline IHS Markit Eurozone Composite PMI[®] rose from a 15-year high of 59.5 in June to 60.6 in July, its highest since July 2000, according to the preliminary 'flash' reading*.

The July reading indicated a fourth consecutive month of accelerating business activity. This acceleration of growth has coincided with a steady easing of COVID-19 restrictions from a peak in April to the lowest since the pandemic began in July.

A further increase in demand was also recorded, boding well for the strong upturn to be sustained into August, as new order growth measured across both manufacturing and services accelerated to the fastest since May 2000.

However, the recent surge in demand continued to put pressure on operating capacity to a degree unprecedented in the survey's history. The resulting steep rise in backlogs of uncompleted work matched the record increase seen in June.

Firms hired additional staff for a sixth straight month to meet the upturn in demand. The net gain in employment was the second-steepest since January 2018, and among the largest recorded over the last two decades, though moderated compared to June.

The overall improvement on June's performance was led by the service sector, where growth accelerated to the fastest since June 2006, marking a fourth successive month of rising output. The removal of some pandemic-related travel restrictions notably led to the largest rise in services exports** since comparable data were first collected in 2014.

While manufacturing reported a thirteenth successive month of output growth, the rate of expansion slipped to the lowest since February. In many cases, notably in Germany, output was

constrained by shortages of inputs.

Average selling prices for goods and services meanwhile rose at a near survey record pace in July, primarily reflecting constrained supply at a time of rapid demand growth.

Supplier delivery times – a [key barometer of supply chain delays](#) – continued to lengthen at one of the sharpest rates ever recorded by the survey, playing a key role in driving input costs higher. Manufacturers’ input prices rose to a degree unsurpassed since survey data were available in 1997. Service sector input cost inflation eased modestly, but remained the second-highest in 13 years.

Within the eurozone, Germany led the upturn, reporting the strongest monthly expansion since comparable data were first available in January 1998. An unprecedented service sector expansion was accompanied by even stronger – though cooling – manufacturing output growth.

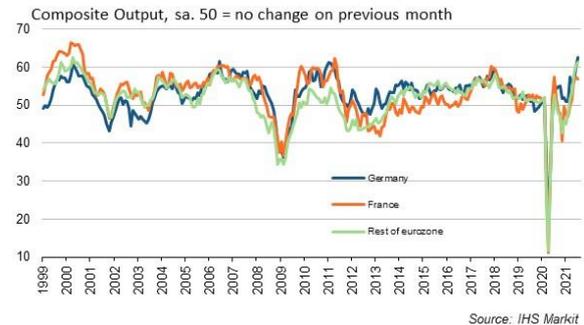
The rate of expansion moderated to a three-month low in France, thanks mainly to slower service sector growth, though remaining among the strongest seen over the past three years. Growth in the rest of the eurozone as a whole meanwhile accelerated to the sharpest since June 2000.

Finally, while July’s growth surge was commonly linked to the further easing of virus restrictions, business optimism for the outlook was stifled by growing worries about the delta variant. Expectations for output in the year ahead slipped from June’s record peak to the lowest since February, with lower optimism recorded across the board but slipping most notably in services and in France.

* 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 is enjoying a summer growth spurt as the loosening of virus-fighting restrictions in July has propelled growth to the fastest for 21 years. The services sector in particular is enjoying the freedom of loosened COVID-19 containment measures and improved vaccination rates, especially in relation to hospitality, travel and tourism.

“Supply chain delays remain a major concern for manufacturing, however, constraining production and pushing firms’ costs higher. These higher costs have led to a near record increase in average selling prices for goods and services, which is likely to feed through to higher consumer prices in coming months.

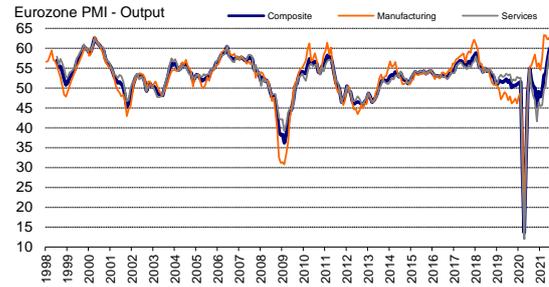
“The survey also highlights how the delta variant poses a major risk to the outlook. Not only have rising case numbers led to a slide in business optimism to the lowest since February, further covid waves around the world could lead to further global supply chain delays and hence ever higher prices.”

-Ends-

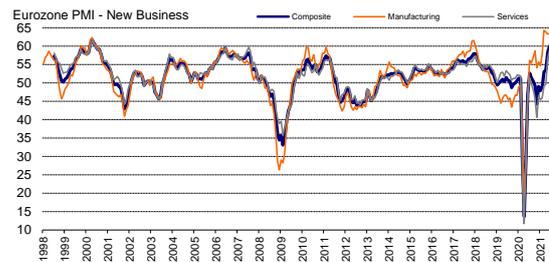
Summary of July data

Output	Composite	Fastest rise in activity for 21 years.
	Services	Growth hits 15-year high.
	Manufacturing	Sharp but slower increase in production.
New Orders	Composite	Rate of expansion quickens to fastest since May 2000.
	Services	Sharpest rise in new business since July 2007.
	Manufacturing	New order growth remains elevated.
Backlogs of Work	Composite	Rate of accumulation unchanged from June's record.
	Services	Further marked expansion in outstanding business.
	Manufacturing	Strong rise in backlogs.
Employment	Composite	Further sharp rise in staffing levels.
	Services	Employment continues to rise markedly.
	Manufacturing	Jobs growth little-changed from June's record.
Input Prices	Composite	Near-record rise in input prices.
	Services	Input cost inflation remains elevated.
	Manufacturing	Rate of inflation unchanged at record high.
Output Prices	Composite	Selling price inflation ticks down from June's record.
	Services	Solid increase in charges.
	Manufacturing	Near-record rise in output prices.
PMI⁽³⁾	Manufacturing	PMI at four-month low of 62.6.

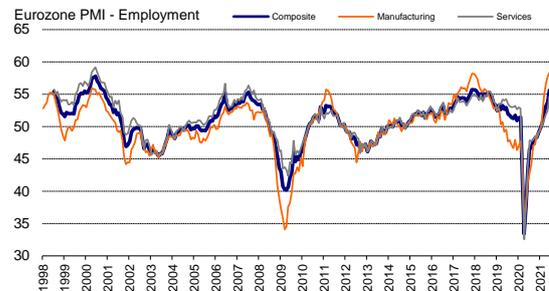
Output



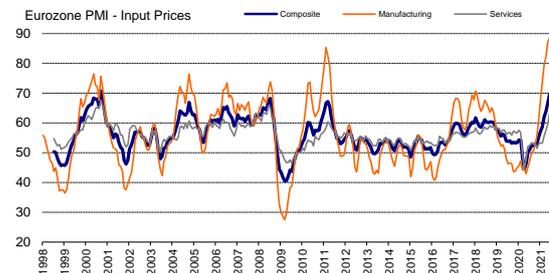
New business



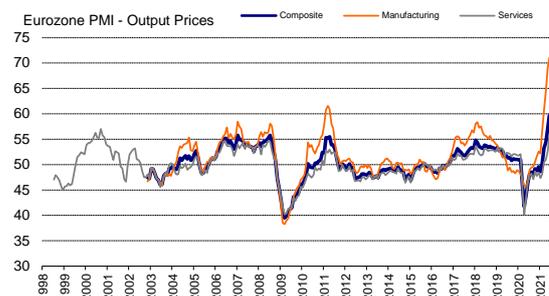
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final July data are published on 2 August for manufacturing and 4 August 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	0.1	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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