

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Eurozone PMI®

Flash PMI hits seven-month high but growth and sentiment remain subdued

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 52.1 (51.8 in May). 7-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 53.4 (52.9 in May). 7-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 48.8 (48.9 in May). 2-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 47.8 (47.7 in May). 2-month high.

Data collected June 12-20

The pace of eurozone economic growth remained subdued in June but edged up for a second successive month to reach a seven-month high. Growth was driven by the service sector, which helped offset an ongoing manufacturing downturn. Optimism about the future meanwhile dipped lower, running at its lowest since late-2014, suggesting growth will remain weak in coming months. Inflationary pressures also moderated.

The IHS Markit Eurozone Composite PMI® rose to 52.1 in June, according to the preliminary 'flash' estimate, up from 51.8 in May to reach its highest since last November. The reading puts growth in the second quarter up slightly on that seen in the first quarter, yet still the second-lowest since the fourth quarter of 2014.

Growth was driven by the service sector, which reported the sharpest rise in business activity since November of last year. In contrast, manufacturing remained in decline, with output falling for a fifth straight month and at a rate marginally steeper than seen in May. While the service sector's expansion rounded off its strongest quarter since the third quarter of last year, the downturn in manufacturing completed a quarter in which production suffered the sharpest decline for six years.

IHS Markit Eurozone PMI and GDP



The overall rise in activity was supported by the largest inflow of new business seen since last November, albeit remaining subdued compared to rates of order book growth seen this time last year. Improved inflows of new work in the service sector were countered by another steep fall in new orders for manufactured goods, which continued to deteriorate at one of the sharpest rates seen over the past six years, albeit showing some signs of easing compared to earlier in the year.

Export orders* for both goods and services fell during the month, though the rate of decline moderated slightly to the weakest since January.

Despite inflows of new work rising, the overall pace of business activity exceeded that of new work received. Backlogs of work consequently fell for the sixth time in the past seven months. The rate of decline of backlogs nevertheless moderated for a third consecutive month, reflecting fewer instances of excess capacity. Backlogs in fact rose to the greatest extent for four months in services as firms sometimes struggled to meet demand. In contrast, backlogs of work continued to fall sharply in manufacturing.

Employment growth meanwhile improved

marginally, albeit merely running in line with the average seen in the year to date and down on the average seen last year. Solid service sector jobs growth was accompanied by only a marginal rise in manufacturing jobs, through the latter represented an improvement on May, which had seen the first net drop in factory jobs since 2014.

Looking ahead, companies continued to rein-in their expectations of growth in the coming year, which are running at their lowest since October 2014. Sentiment deteriorated in both services and manufacturing during the month. Companies generally reported that a weaker economic outlook, uncertainty, geopolitical issues and intensifying competition would limit growth in coming months. Manufacturers reported particular concerns about slowing demand in export markets and the disruptive impact of trade wars.

Input cost inflation across the two sectors meanwhile moderated to the lowest since September 2016, in turn alleviating upward pressure on selling prices. Average prices charged for goods and services showed the smallest increase since November 2016. Prices for goods showed a particularly modest increase, in part reflecting the first fall in input costs recorded by the survey for three years. Falling raw material prices were commonly blamed on weakened global demand for commodities.

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.

Growth accelerated in **France** to the highest since last November on the back of improved performances in both manufacturing and services, outpacing **Germany**, where activity growth remained unchanged on May's three-month high. Germany's manufacturing sector remained in deep decline, offsetting robust service sector growth.

However, while both France and Germany saw improved performances compared to earlier in the year, business activity growth slowed in the **rest of the euro area** to the weakest since November 2013, now running at five-and-a-half year lows in the service sector while manufacturing output fell for the first time in six years.

*includes intra-euro area trade.

Comment

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

"The eurozone economy picked up further momentum in June, with the headline PMI rising from the lows seen earlier in the year to hint that the worst of the current slowdown may be behind us. However, the overall rate of expansion remains weak, with the survey data indicative of eurozone growth of just over 0.2% in the second quarter.

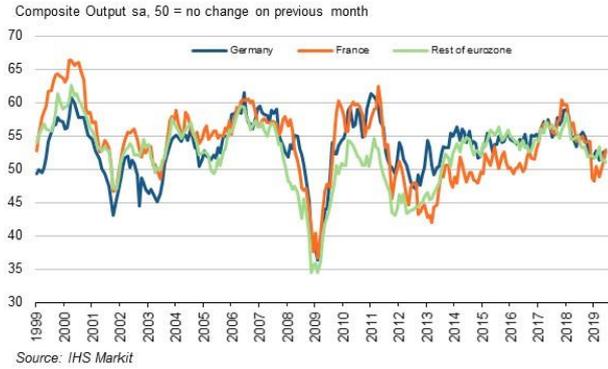
"However, growth trends between the core and the periphery have widened. Germany and France are both showing improved performances compared to earlier in the year as one-off factors (such as the political unrest in France) continue to drop out of the picture, but the data highlight a growing concern that the rest of the region is sliding closer towards stagnation.

"Growth also remains very much dependent on the service sector, which in turn largely reflects the relative strength of domestic consumer demand and improving labour markets. Manufacturing, in contrast, remains in a steep downturn which is only showing tentative signs of moderating.

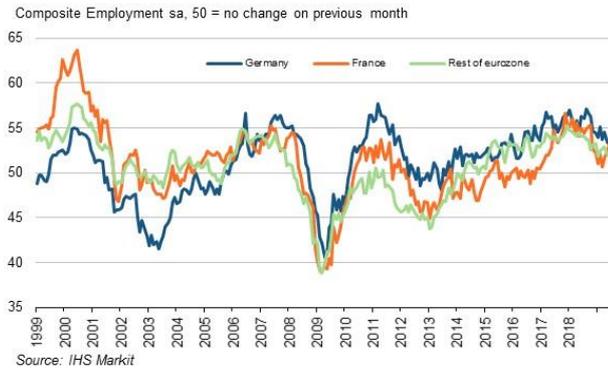
"The overall rate of growth consequently remains subdued, and a further deterioration in business confidence about the year ahead suggests the pace of expansion will continue to be restrained by uncertainty and risk aversion. Concerns about weaker economic growth at home and in export markets, rising geopolitical risks and trade wars continue to dominate the picture and dampen business spending, investment and sentiment."

-Ends-

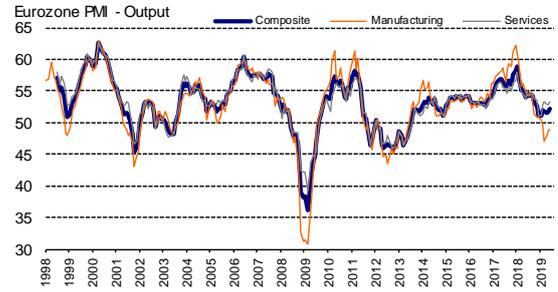
Core v. Periphery PMI Output Indices



Core v. Periphery PMI Employment Indices



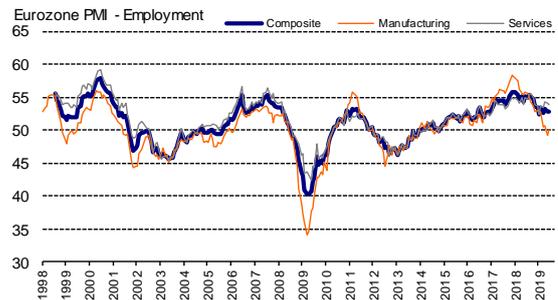
Output



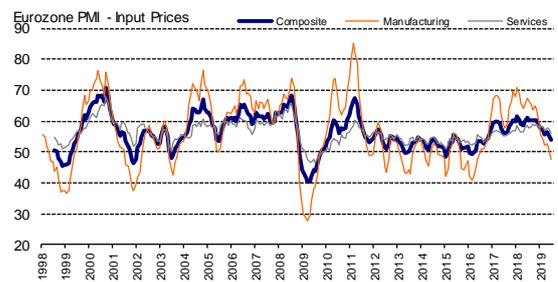
New business



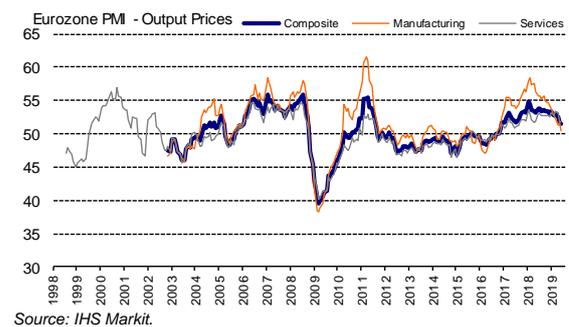
Employment



Input prices



Output prices



Summary of June data

Output	Composite	Output growth quickens slightly.
	Services	Solid increase in services activity.
	Manufacturing	Manufacturing production continues to fall.
New Orders	Composite	Modest rise in new orders.
	Services	Continued growth of new business.
	Manufacturing	Solid decline in new orders.
Backlogs of Work	Composite	Fourth successive decline in backlogs.
	Services	Slight increase in outstanding business.
	Manufacturing	Backlogs of work down for tenth month running
Employment	Composite	Solid increase in staffing levels.
	Services	Employment growth sustained.
	Manufacturing	Staffing levels broadly unchanged.
Input Prices	Composite	Slowest cost inflation since September 2016.
	Services	Sharp, but weaker, increase in input prices.
	Manufacturing	First reduction in input prices for three years.
Output Prices	Composite	Output prices rise slightly.
	Services	Modest output charge inflation.
	Manufacturing	Selling prices up only marginally.
PMI⁽³⁾	Manufacturing	PMI at two-month high of 47.8.

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Note to Editors:

Final June data are published on 1 July for manufacturing and 3 July 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	0.2
Eurozone Manufacturing <i>PMI</i> [®]	0.0	0.1
Eurozone Services Business Activity Index ²	0.0	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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