IHS Markit Eurozone Composite PMI® – final data
Includes IHS Markit Eurozone Services PMI®

Eurozone still growing at considerable pace despite slight slowdown

Key findings:
- Final Eurozone Composite Output Index: 59.0 (Flash: 59.5, Jul Final: 60.2)
- Final Eurozone Services Business Activity Index: 59.0 (Flash: 59.7, Jul Final: 59.8)

Data collected 12-25 August

The euro area economy recorded another marked expansion in business activity during August, with momentum only fading slightly from July’s 15-year peak. Jobs growth continued and was at one of the fastest rates seen in over two decades, as firms swiftly acted to boost operating capacities amid strong demand for goods and services.

After accounting for seasonal factors, the IHS Markit Eurozone PMI® Composite Output Index signalled another considerable month-on-month expansion in business activity during August. At 59.0, the headline figure was below 60.2 seen in July (which was the highest since June 2006), but still indicative of one of the fastest rates of growth seen in the past 15 years.

There were softer increases in output across both the manufacturing and service sectors in August. While goods production growth was sharp, it was the weakest in six months. Service sector output on the other hand increased at the second-fastest rate since mid-2006, behind July.

Of the monitored euro area constituents, Italy bucked the otherwise broad-based slowdown trend and registered the fastest output growth for over 15 years. Nonetheless, only France registered a softer increase in output than Italy in August. Ireland was the fastest-growing nation, followed by Spain and Germany.

August saw a strong rise in new work intakes at euro area businesses once again, despite the upturn easing slightly from July. Nevertheless, the expansion in demand was convincingly stronger than its historical average (since 1998). The sector split showed new business at manufacturers growing faster than at service providers.

This was also the case for new export orders, although a third straight rise in international sales at service providers marked the joint-longest sequence of export growth in that sector since 2018. Overall growth in foreign demand across the euro area was strong, but eased to a six-month low.

To accommodate the rapid uptake of new work, euro area employment rose markedly in August and at a rate that was only marginally weaker than July’s near
21-year high. Manufacturers recorded faster jobs growth than their services counterparts, although a slowdown at the former contrasted with the latter, where the expansion in employment was on par with July’s near three-year peak.

Despite increased recruitment efforts, work-in-hand continued to rise at a strong pace during August as businesses still struggled to meet demand in a timely manner. The rate of backlog accumulation was especially pronounced in the manufacturing sector, where ongoing material shortages and supplier bottlenecks constrained production.

Meanwhile, prices data signalled further substantial inflationary pressures in August. Input costs increased at a rate that was only fractionally below July’s near 21-year high, and was once again driven by the manufacturing sector. Meanwhile, charge inflation eased for the first time since fees started rising again in February, but was only outpaced over the series history by those seen in both June and July.

Finally, euro area businesses remained highly confident towards future output prospects in August, although the level of optimism eased to a five-month low.

Services

The IHS Markit Eurozone PMI® Services Business Activity Index signalled a slight loss of growth momentum in August, falling from July’s 15-year high of 59.8 to 59.0.

Ireland service providers continued to outperform their euro area peers during the latest survey period, while those in France registered the softest expansion in service sector activity. However, with the exception of Italy where growth was unchanged, rates of expansion slowed in all nations from July.

Latest survey data signalled slower growth in new business intakes. Nevertheless, the increase was notably stronger than seen on average over the series history. Although export demand growth slowed, it was the second-fastest since the series began in 2014 (behind July).

Another strong increase in service sector employment was recorded in August. The rate of jobs growth matched that seen in July, which was the strongest since September 2018. Nevertheless, backlogs of work increased for a fifth successive month.

Price trends diverged in August, with a stronger increase in costs coinciding with a softer rise in selling charges. Input prices rose at the fastest pace in 13 years.

Finally, business confidence slid to a four-month low, but remained historically elevated as hopes of a continued recovery supported optimism.

Comment

Joe Hayes, Senior Economist at IHS Markit said:

“It was another solid result for euro area businesses in August, according to the PMI numbers, which still point to rapid rates of expansion in output and demand. The labour market is also performing well and will further encourage this domestic-driven growth spurt.

“The benefit of looser lockdown restrictions has fuelled two of the best expansions since mid-2006 in July and August, but a step down since the preliminary ‘flash’ number tells us that this growth momentum is fading.

“While growth will naturally lose some impetus as the post-lockdown boom peters out, there are a number of other downside factors at play. The Delta variant has taken hold in Europe, while further material shortages and transport bottlenecks continue to restrain business activity. Rampant cost increases also persist, but slightly weaker rates of input and output price inflation provided some respite to both businesses and consumers alike, however.

“Regardless, another strong quarter-on-quarter rise in GDP is on the cards for the third quarter, and we’re certainly on track for the eurozone economy to be back at pre-pandemic levels by the end of the year, if not sooner.”

-Ends-

** Click here for further details of using the PMI to measure GDP in advance.

† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year’s time to be higher, the same or lower than the current month.
For further information, please contact:
Note to Editors:

The Eurozone Composite 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 manufacturing and services firms. 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 Eurozone Services PMI (Purchasing Managers’ Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite PMI and Services PMI follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total PMI survey responses each month. The August composite flash was based on 80% of the replies used in the final data. The August services flash was based on 86% 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):

<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 PMI</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Eurozone Services Business Activity PMI</td>
<td>0.0</td>
<td>0.3</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.

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