

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 3<sup>rd</sup> August 2020**

## IHS Markit Eurozone Manufacturing PMI® – final data

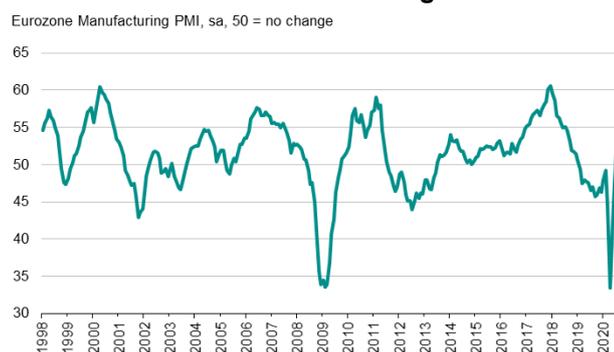
### Eurozone manufacturing economy returns to growth in July

#### Key findings:

- Final Eurozone Manufacturing PMI at 51.8 in July (Flash: 51.1, June Final: 47.4)
- Gains in both output and new orders recorded during July
- Severe job cutting continues as firms continue to operate below capacity

Data collected 13-24 July

#### IHS Markit Eurozone Manufacturing PMI



Source: IHS Markit.

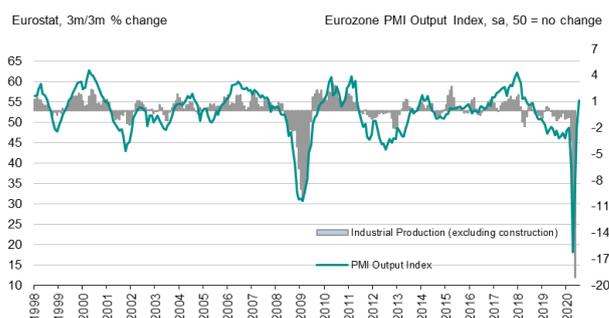
The euro area's manufacturing economy recorded its first growth in a year-and-a-half during July as output and demand continued to recover in line with the further easing of restrictions on activity related to the global coronavirus disease (COVID-19). After accounting for seasonality, the IHS Markit Eurozone Manufacturing PMI® registered 51.8, up from 47.4 in the previous month and an improvement on the earlier flash reading.

Whilst modest, the overall improvement in operating conditions signalled by the PMI was the first such occurrence recorded by the survey since February 2019. Moreover, growth was widespread, with all market groups registering PMI readings above 50.0 during July. Consumer goods was the best-performing, registering its strongest expansion for over a year-and-a-half.

#### Countries ranked by Manufacturing PMI: July

Spain	53.5	27-month high
Austria	52.8	19-month high
France	52.4 (flash: 52.0)	22-month high
Italy	51.9	25-month high
Germany	51.0 (flash: 50.0)	19-month high
Greece	48.6	2-month low
Netherlands	47.9	4-month low

Note: Final data for Ireland are released 4 August



Source: IHS Markit, Eurostat

At the country level, only two nations – Greece and the Netherlands – registered PMI readings below 50.0 as the majority returned to growth in July.

Spain was the strongest-performing nation overall, registering its highest PMI reading for over two years. Slower, but nonetheless solid gains were seen in France and Austria, whilst modest growth was registered in Germany and Italy.

Driving the overall upturn in the euro area manufacturing economy during July were returns to growth in both production and new orders. For output, the marked expansion was the first registered by the survey since the start of 2019 whilst the gain seen for new orders was the first in nearly two years and the strongest since early-2018.

Latest data pointed to improved demand from both domestic and international markets. New export orders rose for the first time since September 2018,

although growth was modest and notably lagged that of overall new work.

Despite returns to growth of both output and new orders, latest data implied that firms continued to operate below capacity. Backlogs of work declined during July for a twenty-third successive month, albeit only slightly, whilst firms again made cuts to their workforce numbers. Latest data marked the fifteenth successive month that employment has fallen, with the degree of job shedding again considerable and historically sharp.

Manufacturers continued to signal a preference for utilising existing inventories in production during July, with latest data showing the sharpest cut to stocks of purchases for six months. Higher production requirements and ongoing reductions in purchasing activity were the primary factors placing downward pressure on stocks. Latest data showed that the buying of inputs was cut for a twentieth successive month, albeit to a much weaker degree.

A reluctance to purchase additional inputs was in part driven by ongoing supply-side delays. July's survey indicated that average lead times deteriorated for a sixth successive month, albeit to the weakest degree in that sequence.

On the price front, input prices remained inside deflationary territory for a fourteenth successive month, although the degree to which costs fell was the lowest in over a year. Competitive pressures and still weak demand meant that output charges were again cut. The decline was, however, marginal and the weakest recorded since August 2019.

Finally, looking ahead to the coming 12 months, business confidence continued to recover in July, rising since June to its highest level since January. Firms are hoping that the recent positive trends in activity and new work will continue with a broader recovery from the pandemic. Sentiment was at its highest amongst firms in Italy. Greek and French manufacturers were the least optimistic.

\* Includes intra-eurozone trade.

## Comment

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

*“Eurozone factories reported a very positive start to the third quarter, with production growing at the fastest rate for over two years, fuelled by an encouraging surge in demand. Growth of new orders in fact outpaced production, hinting strongly that August should see further output gains. The order book improvement has also helped restore business confidence about the outlook in July to January’s pre-pandemic peak.*

*“The job numbers remain a major concern, however, especially as the labour market is likely to be key to determining the economy’s recovery path. Although the rate of job losses eased to the lowest since March, it remained greater than at any time since 2009, reflecting widespread cost-cutting in many firms where profits have been hit hard by the virus outbreak. Increased unemployment, job insecurity, second waves of virus infections and ongoing social distancing measures will inevitably restrain the recovery.*

*“The next few months numbers will therefore be all-important in assessing whether the recent uplift in demand can be sustained, helping firms recover lost production and alleviating some of the need for further cost cutting going forward.”*

-Ends-

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**Note to Editors:**

The Eurozone Manufacturing *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 89% of eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The July 2020 flash was based on 90% 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):

Index	Average difference	Average difference in absolute terms
Eurozone Manufacturing <i>PMI</i>	0.0	0.1

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 revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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