IHS Markit Eurozone Composite PMI® – final data

Includes IHS Markit Eurozone Services PMI®

Eurozone PMI signals fastest growth in over two years

Key findings:
- Final Eurozone Composite Output Index: 54.9 (Flash: 54.8, June Final: 48.5)
- Final Eurozone Services Business Activity Index: 54.7 (Flash: 55.1, June Final: 48.3)

Data collected July 13-28

The IHS Markit Eurozone PMI® Composite Output Index maintained its recent upward trend during July, rising by over six points on the month to a reach a level of 54.9. That compared to June’s 48.5 and slightly higher than the earlier flash reading (54.8).

Moreover, it was the first time that the index has posted above the 50.0 no-change mark since February and represented the fastest rate of growth since June 2018.

Both the goods-producing and service sectors recorded marked rates of growth during July, with manufacturing registering the slightly stronger pace of expansion. Whilst the increase in service sector activity was the first in five months, July data represented the first increase in manufacturing production since the start of 2019.

The upturn in growth was broad-based by country, and led by the region’s biggest two economies. France registered a considerable increase in activity, with growth here the sharpest for nearly two-and-a-half years. Germany enjoyed its best increase in activity for just under two years. Meanwhile, solid growth was seen in Spain and Italy.

Overall activity rose at a considerably quicker rate than volumes of incoming new business during July. Whilst the continued easing of lockdown restrictions helped to support a first increase in new business for five months, demand was undermined by continued weakness in international trade.
showed that the sharpest falls in employment were seen in Italy, Spain and then Germany.

On the price front, there was a modest increase in operating expenses despite ongoing falls in input costs for goods producers. Competitive pressures and the challenging business environment nonetheless led to further discounting of output charges across both sectors.

Looking ahead to the coming 12 months, private sector companies on average expect activity to rise from present levels. Sentiment was also the highest recorded since February.

**Services**

July’s IHS Markit Eurozone *PMI*® Services Business Activity Index returned to growth territory, posting a reading comfortably above the 50.0 no-change mark. After accounting for seasonal factors, the index recorded 54.7, up from 48.3 in the previous month and the highest level for nearly two years.

In contrast, despite increasing for the first time in five months, levels of incoming new business rose at a relatively modest pace. Moreover, growth was primarily driven by domestic markets as export trade remained weak. Latest data showed that foreign sales declined for a twenty-third successive month.

With activity rising at a noticeably faster rate than new work, service providers were again able to comfortably deal with overall workloads. According to the latest data, backlogs of work continued to fall (albeit modestly) and helped to explain another round of job shedding in the sector. Jobs have now fallen for five months in succession, although the latest contraction was the weakest in that sequence.

Operating expenses crept higher during July, rising for a second successive month and at a solid pace. In contrast, output charges declined for a fifth month in a row as a challenging business environment and efforts to support sales led to another period of discounting.

Finally, business confidence about the year ahead strengthened further during July, reaching the highest level for five months. Confidence picked up across the euro area region, with positive sentiment the highest amongst Italian services providers.

**Comment**

Chris Williamson, Chief Business Economist at IHS Markit said:

“Eurozone service sector business activity rebounded in July to grow at a rate not exceeded for over two years. France and Germany enjoyed especially strong gains though renewed growth was also recorded in Spain and Italy as COVID-19 containment measures continued to be relaxed.

“Combined with a surge in manufacturing production, the renewed expansion of the service sector bodes well for the economy to rebound in the third quarter after the unprecedented slump seen in the second quarter.

“Whether the recovery can be sustained will be determined first and foremost by virus case numbers, and the recent signs of a resurgence pose a particular risk to many parts of the service sector, such as travel, tourism and hospitality. However, even without a significant increase in infections, social distancing measures will need to be in place until an effective treatment or vaccine is available, dampening the ability of many firms to operate at anything like pre-pandemic capacity, and representing a major constraint on longer-run economic recovery prospects.”

-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.
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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 July composite flash was based on 88% of the replies used in the final data. The July services flash was based on 84% of the replies used in the final data. Data were collected 13-28 July.

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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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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