

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Eurozone Manufacturing PMI[®] – final data

Eurozone manufacturing growth slows to six-month low in August

Key findings:

- Final Eurozone Manufacturing PMI at 61.4 in August (Flash: 61.5, Jul Final: 62.8)
- Output and new orders sub-indices fall further from survey highs in March
- Inflationary pressures ease, but remain substantial

Data collected 12-23 August

Countries ranked by Manufacturing PMI: August

| | | |
|-------------|--------------------|----------------|
| Netherlands | 65.8 | 5-month low |
| Ireland | 62.8 | 4-month low |
| Germany | 62.6 (flash: 62.7) | 6-month low |
| Austria | 61.8 | 6-month low |
| Italy | 60.9 | 2-month high |
| Spain | 59.5 | 2-month high |
| Greece | 59.3 | 256-month high |
| France | 57.5 (flash: 57.3) | 6-month low |

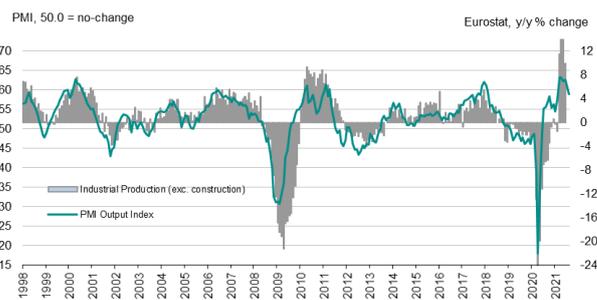
IHS Markit Eurozone Manufacturing PMI



Source: IHS Markit.

The euro area manufacturing sector registered another marked expansion during August, latest PMI[®] data showed, although momentum waned once again as the headline index fell to a six-month low. The final reading of the IHS Markit Eurozone Manufacturing PMI for August of 61.4 was fractionally lower than the earlier 'flash' print of 61.5, and down from 62.8 in July. This marked a second successive month in which growth has slowed in the sector since June's survey-record expansion.

All three sub-sectors registered sharp, albeit weaker, improvements in operating conditions over the month. Growth at investment goods makers continued to lead over consumer goods and intermediate goods producers, as has been the case in each of the past 12 months.



Source: IHS Markit, Eurostat

Of the monitored euro area constituents, the Netherlands once again saw the strongest improvement in manufacturing business conditions, despite growth here slowing to a five-month low. Softer expansions were also recorded in Germany, Ireland, Austria and France.

August survey data were particularly notable in Greece, which registered the highest reading in its Manufacturing PMI since April 2000. Meanwhile, Italy and Spain also observed accelerated expansions.

Goods production across the eurozone continued to expand in August, as has been the case in each month since July 2020. Although the pace of growth was the weakest in six months, it was still sharp overall and well above the historical average.

Supporting robust production schedules were continued improvements in demand for euro area goods. Total new orders increased for a fourteenth straight month in August, while new export business*

also grew at a marked rate. The Netherlands, Germany and Italy performed particularly well on the export front. However, the overall rate of growth in export demand across the eurozone lost momentum in August.

There were clear signs of strong capacity constraints at eurozone manufacturers as work-in-hand increased at a rate that was historically unmatched when compared to anything seen prior to March of this year. This came despite firms once again depleting inventories of finished goods from warehouses to fulfil orders.

To boost output capabilities, manufacturers added to their workforce numbers in August, continuing the employment growth trend which started in February and with the rate of job creation down only modestly from July's all-time high.

Elsewhere, supplier delivery times lengthened to a considerable extent once again in August amid strong demand for production materials and inputs, though the rate of lengthening eased slightly further from May's record. Latest data showed firms increasing their buying activity sharply during August. For the first time since January 2019, inventories of purchased items increased, albeit only mildly.

Meanwhile, price pressures remained stubbornly elevated midway through the third quarter. Input costs increased substantially once again amid ongoing supply chain issues and strong input demand. However, latest data showed the first slowdown in cost inflation since input prices started rising again in August 2020.

A similar trend was observed in output charges, where the rate of inflation remained historically steep after July's survey high, but eased for the first time since January.

Lastly, euro area manufacturers recorded an optimistic outlook towards the next 12 months during August. The level of positive sentiment was strong, but eased for the second consecutive month to reach its lowest since November 2020.

* Includes intra-eurozone trade.

Comment

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

“Eurozone manufacturers reported another month of buoyant production in August, continuing the growth spurt into its fourteenth successive month. The overriding issue was again a lack of components, however, with suppliers either unable to produce enough parts or are facing a lack of shipping capacity to meet logistics demand.

“These supply issues were the primary cause of a shortfall of manufacturing production relative to orders of a magnitude not previously recorded by the survey, surpassing the 24-year record deficit seen in July.

“Factory selling prices consequently rose steeply once again, albeit with some of the upward pressure alleviated by a slight cooling of input cost inflation, albeit with still-high materials prices adding to manufacturers' problems.

“Employment growth meanwhile eased only modestly from July's all-time high as producers remained focused on boosting operating capacity. However, a dip in future sentiment in August – linked to the peaking of demand, persistent supply chain issues and the spread of Delta variant – add to signs that both output and employment growth has peaked.”

-Ends-

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Note to Editors:

The Eurozone Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) 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 August 2021 flash was based on 84% 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.

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