

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 21 September 2018**

## IHS Markit Flash Eurozone PMI<sup>®</sup>

### Stagnant exports subdue Eurozone growth in September

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 54.2 (54.5 in August). 4-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 54.7 (54.4 in August). 3-month high.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 52.8 (54.7 in August). 28-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 53.3 (54.6 in August). 24-month low.

Data collected September 12-20

Eurozone business activity grew in September at the second-weakest rate since late-2016, according to preliminary PMI survey data, as manufacturing growth was subdued by export orders stagnating for the first time in over five years.

The IHS Markit Eurozone PMI fell from 54.5 in August to 54.2 in September, according to the flash reading, which is based on around 85% of usual replies. Although still well above the 50.0 no-change level, the latest reading was the lowest since November 2016 with the exception of last May.

New order inflows were the joint-weakest since October 2016 and backlogs of uncompleted orders rose at the slowest rate since September 2016. Employment growth proved more resilient, easing slightly from August but remaining close to 18-year highs.

The slowdown was driven by weaker growth in the manufacturing sector, where production increased at the slowest rate since May 2016. New orders received by factories showed the joint-weakest rise since February 2015 as new export orders failed to grow for the first time since June 2013.

#### IHS Markit Eurozone PMI and GDP



Backlogs of work fell in factories for the first time since April 2015 as a result of the weakened inflow of work, contributing to an increased reluctance to hire additional staff. Factory payroll numbers rose at the slowest rate for just over one-and-a-half years.

Service sector output growth meanwhile picked up momentum for a second successive month to reach a three-month high, albeit remaining well below rates seen earlier in the year, and job creation continued to run at the highest since October 2007. New inflows of business slowed, however, and backlogs of work showed the second-weakest rise in over a year, hinting at slower service sector activity and employment growth in coming months.

Input cost inflation meanwhile remained elevated, picking up slightly to the third-highest for over seven years. Average selling prices rose at an identical pace to the solid gain recorded in August, though likewise remained high by standards of the past seven years.

While input costs rose at the fastest rate for over seven years in the service sector, in part reflecting higher wage and energy costs, manufacturing costs

rose at the joint-slowest rate for just over a year.

Looking ahead, business optimism about future activity levels revived slightly from August but was still the second-gloomiest seen over the past two years, dropping to the lowest for nearly four years in manufacturing but ticking up from August's 21-month low in the service sector.

Across the region, growth slowed in Germany and France but both continued to outperform the rest of the eurozone as a whole, where the pace of expansion held close to two-year lows.

Growth of both business activity and new orders lost some momentum in **Germany**, meaning jobs growth likewise cooled slightly, though remained close to seven-year highs. The third quarter as a whole has nevertheless seen stronger output growth than the second quarter. The latest expansion was fuelled by service sector growth hitting an eight-month high, in turn buoyed by the biggest inflow of new work since June 2011 and accompanied by the largest jump in services employment since October 2007. In contrast, German manufacturing output growth slipped to the weakest since April 2016 as exports fell to the greatest extent since June 2013. Overall selling price inflation meanwhile also slipped from the near-record high seen in August but remained elevated.

In **France**, growth of output and new orders both slipped to the lowest since late-2016, though employment growth remained more resilient, albeit cooling slightly. Service sector growth was the joint-lowest since the start of 2017 but it was manufacturing that fared the worst, seeing output growth almost stall at a two-year low as exports fell for the second time in three months. Intense competition meant selling prices rose only modestly despite one of the steepest increases in costs seen over the past seven years.

Elsewhere, growth improved only marginally from August's 22-month low, rounding off the worst quarter for two years.

## Comment

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

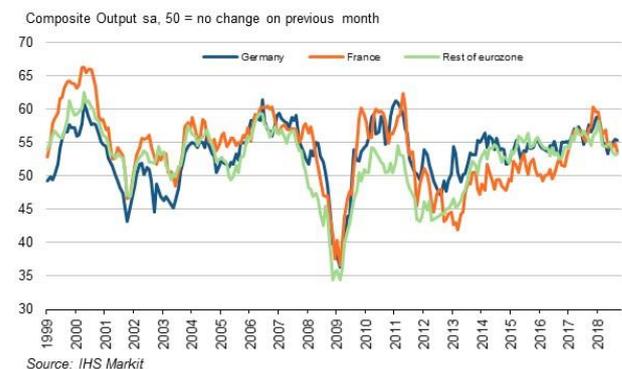
*"A near stagnation of exports contributed to one of the worst months for the Eurozone economy for almost two years. Trade wars, Brexit, waning global demand (notably in the auto industry), growing risk aversion, destocking and rising political uncertainty both within the Eurozone and further afield all fuelled the slowdown in business activity.*

*"Thankfully, the slowdown was limited to manufacturing. A buoyant service sector, boosted in part by domestic demand being supported by strong job gains, means the survey data are running at a level indicative of the economy growing by a solid 0.5% in the third quarter.*

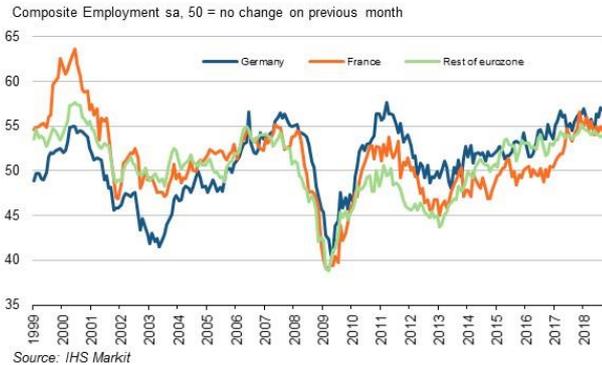
*"However, with new orders and backlogs of work rising at much reduced rates compared to earlier in the year, export growth evaporating and future expectations remaining close to two-year lows, the risks to future growth appear tilted to the downside."*

-Ends-

## Core v. Periphery PMI Output Indices



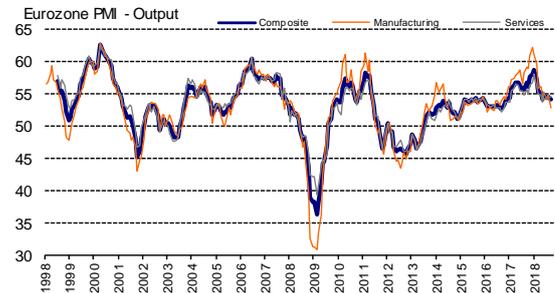
## Core v. Periphery PMI Employment Indices



## Summary of September data

<b>Output</b>	<b>Composite</b>	<b>Slower rise in business activity.</b>
	Services	Service sector growth picks up.
	Manufacturing	Weakest expansion of manufacturing output since May 2016.
<b>New Orders</b>	<b>Composite</b>	<b>Solid increase in new orders.</b>
	Services	Growth of services new business remains marked.
	Manufacturing	Slight rise in manufacturing new orders.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Modest increase in backlogs.</b>
	Services	Slower rise in services outstanding business.
	Manufacturing	First reduction in factory backlogs for 41 months.
<b>Employment</b>	<b>Composite</b>	<b>Employment growth remains marked.</b>
	Services	Further strong rise in services employment.
	Manufacturing	Manufacturing job creation at 19-month low.
<b>Input Prices</b>	<b>Composite</b>	<b>Input cost inflation ticks up.</b>
	Services	Fastest rise in input prices since April 2011.
	Manufacturing	Weakest increase in input costs for five months.
<b>Output Prices</b>	<b>Composite</b>	<b>Solid rise in output prices.</b>
	Services	Charge inflation ticks down.
	Manufacturing	Marked and accelerated rise in selling prices.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at 24-month low of 53.3.

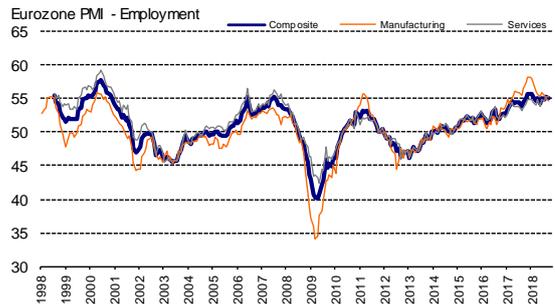
## Output



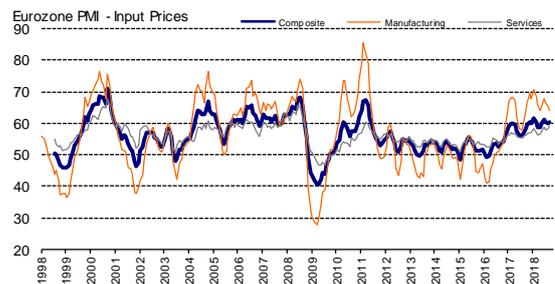
## New business



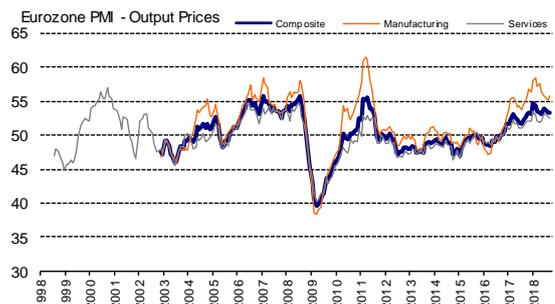
## Employment



## Input prices



## Output prices



**For further information, please contact:**

**IHS Markit**

Chris Williamson, Chief Business Economist  
 Telephone +44-20-7260-2329  
 Mobile +44-779-555-5061  
 Email [chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Rob Dobson, Director  
 Telephone +44-1491-461-095  
 Mobile +44-782-691-3863  
 Email [rob.dobson@ihsmarkit.com](mailto:rob.dobson@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
 Telephone +44207 260 2234  
 E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Note to Editors:**

Final September data are published on 1 October for manufacturing and 3 October for services and composite indicators.

The Eurozone *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 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 <sup>1</sup>	0.0	0.2
Eurozone Manufacturing <i>PMI</i> <sup>2</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.0	0.3

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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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**About PMI**

Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) 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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