

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

Manufacturing growth remains strong despite slight loss of momentum

Key findings:

- Final Eurozone Manufacturing PMI at 62.8 in July (Flash: 62.6, Jun Final: 63.4)
- Output and order growth rates slow, but employment rises at survey-record pace
- Inflation rates hit new highs as supply chain disruptions continue

Data collected 12-23 July

IHS Markit Eurozone Manufacturing PMI



Source: IHS Markit.

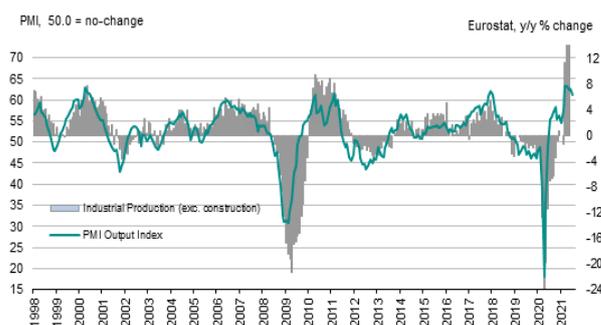
Manufacturers in the euro area recorded another resilient outturn in July as the headline PMI® signalled a sharp improvement in the health of the goods-producing sector. At 62.8, the final reading of the PMI was slightly firmer than July's flash figure of 62.6, but down slightly from 63.4 in June and the lowest since March. Nevertheless, the sector has now recorded successive months of expansion since July 2020, with the latest reading only slightly below June's survey record high.

The sub-sector splits of the data showed sharp expansions across consumer, intermediate and investment goods makers once again in July, with the latter boasting the fastest upturn of the three. However, a higher PMI reading at consumer goods producers contrasted with lower prints from the other two sectors.

Countries ranked by Manufacturing PMI: July

Netherlands	67.4	3-month low
Germany	65.9 (flash: 65.6)	3-month high
Austria	63.9	4-month low
Italy	60.3	4-month low
Spain	59.0	3-month low
France	58.0 (flash: 58.1)	5-month low
Greece	57.4	3-month low

Note: Data for Ireland are released 3 August.



Source: IHS Markit, Eurostat

With the exception of Germany, there was a broad decrease across the national Manufacturing PMIs in July. That said, in countries where rates of improvement slowed, expansions were still historically sharp. In Germany, the rate of growth hit a three-month high that was the third-highest on record, behind March and April. Elsewhere, the Netherlands and Greece retained their positions as the fastest and slowest growing countries within the euro area respectively.

The decline seen in headline PMI reflected a similar trend in the survey's output index, which signalled the softest increase in eurozone production since February. That said, the overall rate of expansion was still notable. The Netherlands, Germany and Austria registered particularly sharp rates of growth.

Higher output volumes were underpinned by a continued improvement in demand for euro area goods. As has been the case over the past few

months, the rate of growth in new business was steep and held close to March's survey record. Meanwhile, new export orders* expanded at a sharp rate, albeit one that was the weakest in five months.

Operating capacities were tested in July, as evidenced by a considerable increase in backlogs of work across euro area goods producers. Firms responded by hiring additional staff at a rate unseen in 24 years of data collection. Job creation was especially marked in Germany and Austria.

Furthermore, purchasing activity was expanded as part of efforts to meet growing production requirements. That said, manufacturers continued to face substantial supply-side challenges, with input lead times lengthening to one of the greatest degrees ever recorded by the survey.

The combination of scarce input availability and growing order books led firms to utilise their inventories in July. Stocks of purchases were depleted in line with rising output, while warehoused goods were also used to complete sales.

Widespread shortages of materials and poor transport availability pushed up manufacturing input prices in July at a survey-record rate. Indeed, national level data showed rates of cost inflation accelerating to fresh highs across a slew of countries including Austria, Germany and the Netherlands.

A record increase in input costs was accompanied by a record rise in selling charges as firms sought to pass the cost burden on to their clients. Overall, output charges across the eurozone have risen for ten consecutive months.

Lastly, euro area manufacturers retained their optimistic outlook for the next 12 months as the global economic recovery continues and business adjust to fewer pandemic-related restrictions. Overall, output expectations remained in firm positive territory, although the level of confidence slipped to a seven-month low.

* Includes intra-eurozone trade.

Comment

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

"The fact that growth of eurozone manufacturing cooled slightly in July after a record-breaking expansion during the second quarter should not itself be a major cause for concern. But the July survey also brought further signs that manufacturers and their suppliers are struggling to raise production fast enough to meet demand, driving prices ever higher.

"Although growth of demand has come off the boil slightly as the initial boost from the reopening of the economy fades, the July survey showed inflows of new orders outstripping production to an extent unprecedented in the survey's 24-year history.

"Capacity constraint indicators continue to flash red. Input shortages worsened again in July at a near record rate and July saw another near-record rise in backlogs of work.

"Safety stock building also remains widespread amid ongoing speculation about future supply difficulties. Mounting concerns about how the Delta variant poses further threats to supply chains and staff availability have helped push future growth expectations to the lowest so far this year.

"Prices pressures meanwhile show no sign of abating, with July seeing another record increase in both input costs and prices charged for goods as demand exceeds supply, and concerns over future supply availability flare up again."

-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 July 2021 flash was based on 93% 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

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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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