

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Eurozone PMI®

Eurozone growth remains muted amid decline in manufacturing

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 51.4 (51.0 in January). 3-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.3 (51.2 in January). 3-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 49.2 (50.5 in January). 69-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 49.2 (50.5 in January). 68-month low.

Data collected February 12-20

Although output across the eurozone private sector increased at a slightly faster pace in February, the rate of expansion remained muted. Moreover, the manufacturing sector weighed on overall economic performance, falling into contraction during the month.

The IHS Markit Eurozone Composite PMI® posted 51.4 in February, up from 51.0 in January and the highest in three months, according to the preliminary 'flash' reading. The flash estimate is typically based on approximately 85% of the final number of replies received each month. Despite quickening from the five-and-a-half year low seen at the start of the year, the rate of expansion remained modest.

Overall growth was centred on the service sector where activity also rose at the fastest pace in three months amid an improving picture in Germany and stabilisation in France. On the other hand, euro area manufacturing production decreased for the first time since June 2013.

While business activity rose at a faster pace, there remained signs of demand weakness as new orders dipped for the second month running. As

IHS Markit Eurozone PMI and GDP



with output, the manufacturing sector was the main source of weakness in new business. Manufacturing new orders decreased to the greatest extent in almost six years, with new export orders also falling at a faster pace than in January.

Employment remained a bright spot in February, in spite of reductions in both new orders and outstanding business. Staffing levels increased at a solid pace that was faster than at the start of the year. The rate of job creation quickened in the service sector and held steady in manufacturing.

Data on business sentiment also provided cause for optimism, with confidence regarding the 12-month outlook at a four-month high. Optimism dipped in the manufacturing sector, however.

There were signs of inflationary pressures waning midway through the first quarter of the year. The rate of input cost inflation softened for the fourth month running and was the weakest for a year-and-a-half. Output prices also rose at the slowest pace in 18 months. Softer inflation was registered across both monitored sectors.

The divergence in performance between the manufacturing and service sectors in February was

most evident in Germany. Service providers in the euro area's largest economy posted a marked and accelerated rise in activity on the back of a pick-up in new business growth. On the other hand, industry moved into contraction territory, with output down for the first time in almost six years and new orders decreasing sharply amid continued reports of issues in the auto sector.

There were signs of stabilisation in France despite reports of lingering disruption caused by the 'yellow vest' protests. Services activity decreased only fractionally, while manufacturing output stabilised following two months of decline.

Outside the two largest eurozone economies output growth was only modest, slowing for the second month running to the weakest since November 2013. Rates of expansion eased across both manufacturing and services.

Comment

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

"The Eurozone economy remained close to stagnation in February. The flash PMI lifted only slightly higher during the month, continuing to indicate one of the weakest rates of expansion since 2014. The survey data suggest that GDP may struggle to rise by much more than 0.1% in the first quarter."

"Germany is on course to grow by 0.2%, buoyed by its service sector, but France looks set to stagnate or even contract very slightly. The rest of the region is meanwhile suffering its worst spell since late-2013, with growth having slipped closer to stalling in February."

"Some uplift was also seen as companies stepped up preparations ahead of Brexit and disruptions from the 'yellow vest' protests in France eased. However, the general picture remained one of a more subdued business environment than seen throughout much of last year."

"Weaker order books were linked to a combination of intensifying headwinds and concerns, including global trade protectionism worries, Brexit, the downturn of the auto sector, increased political uncertainty and anxieties regarding the broader

economic outlook. Rising risk aversion has consequently dampened demand, investment and spending.

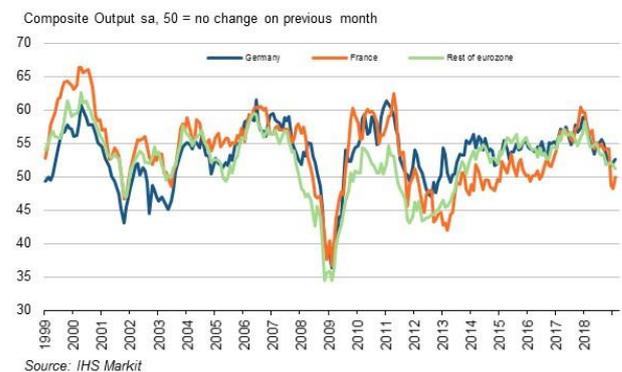
"The weakness is being led by manufacturing, which has now entered its first downturn since mid-2013. With factory order books deteriorating at an increased rate, the rate of contraction in the goods-producing sector will likely worsen in coming months."

"Solid domestic demand in many countries, notably Germany, continued to help support service sector growth and offset the downturn of the manufacturing sector. However, the overall rate of service sector growth remained relatively moribund compared to that seen throughout much of last year."

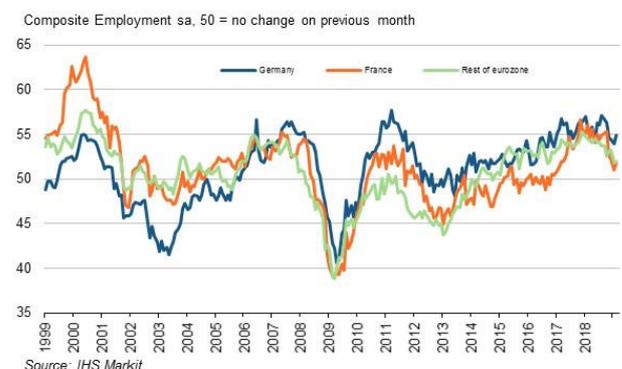
"Price pressures have meanwhile continued to ease alongside the more subdued demand environment."

-Ends-

Core v. Periphery PMI Output Indices



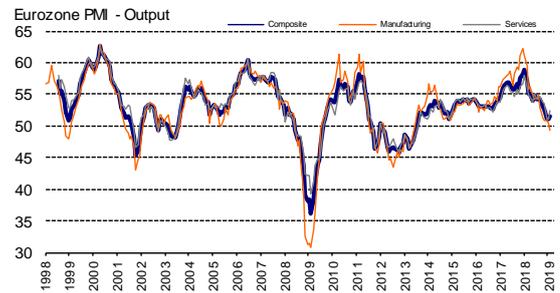
Core v. Periphery PMI Employment Indices



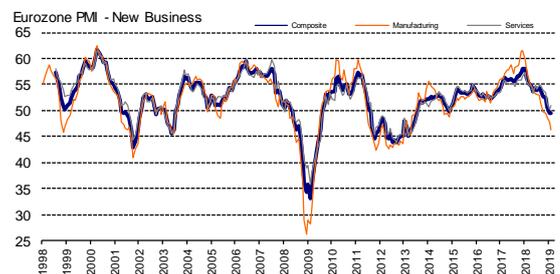
Summary of February data

Output	Composite	Output growth accelerates slightly
	Services	Fastest rise in services activity for three months.
	Manufacturing	Output falls for first time since June 2013.
New Orders	Composite	Second successive fall in new orders.
	Services	Slight increase in new business.
	Manufacturing	Solid decline in new orders.
Backlogs of Work	Composite	Fractional reduction in backlogs of work.
	Services	Outstanding business rises.
	Manufacturing	Further reduction in backlogs.
Employment	Composite	Further solid rise in employment.
	Services	Sharper pace of job creation.
	Manufacturing	Staffing levels rise at same pace as in January.
Input Prices	Composite	Cost inflation ticks down.
	Services	Input prices continue to rise sharply.
	Manufacturing	Slowest increase in input costs for 28 months.
Output Prices	Composite	Slowest rise in charges for a year-and-a-half.
	Services	Softer pace of charge inflation.
	Manufacturing	Output price inflation eases for fifth month running.
PMI⁽³⁾	Manufacturing	PMI at 68-month low of 49.2.

Output



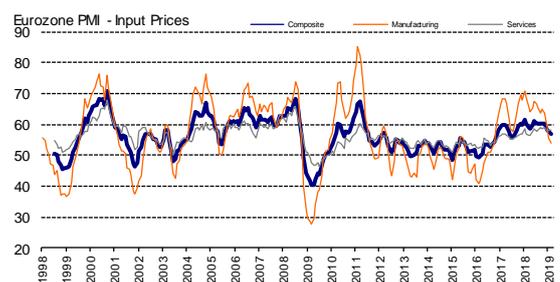
New business



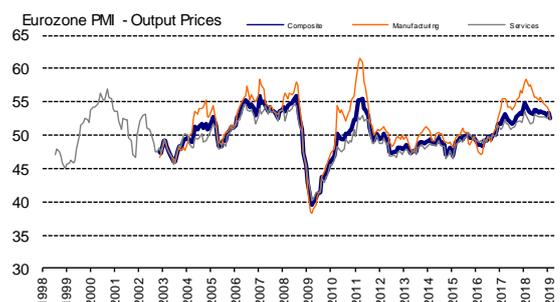
Employment



Input prices



Output prices



Source: IHS Markit.

For further information, please contact:**IHS Markit**

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Note to Editors:

Final February data are published on 1 March for manufacturing and 5 March for services and composite indicators.

The Eurozone *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 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 ¹	0.0	0.2
Eurozone Manufacturing <i>PMI</i> ²	0.0	0.1
Eurozone Services Business Activity Index ²	0.0	0.3

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.

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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