

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 21 August 2020

IHS Markit Flash Eurozone PMI[®]

Eurozone growth loses momentum in August

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 51.6 (54.9 in July). 2-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 50.1 (54.7 in July). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 55.7 (55.3 in July). 28-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 51.7 (51.8 in July). 2-month low.

Data collected August 12-20

August saw a loss of growth momentum across the eurozone private sector, according to provisional PMI[®] survey data, following a rebound from the coronavirus disease 2019 (COVID-19) related downturn. Both business activity and new orders rose modestly, and at slower rates than in July. The softer overall expansion owed exclusively to weakness in the service sector as growth of manufacturing production quickened. Meanwhile, companies across the single currency bloc continued to scale back workforce numbers.

The flash IHS Markit Eurozone Composite PMI posted 51.6 in August, down from July's reading of 54.9 and signalling a slowdown in the pace of output growth. July had seen the first expansion of activity in five months amid a rebound following the COVID-19 outbreak and disruption caused by lockdowns across the euro area.

Differing trends were recorded across the two sectors covered during August. Service providers recorded broadly unchanged levels of business activity from those seen in July. On the other hand, manufacturing production rose sharply, with the rate of growth quickening to the fastest since April 2018.

IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

New orders increased for the second successive month, but as was the case with activity the rate of growth slowed midway through the third quarter. Growth of total new business was undermined by a fall in new export orders*, itself driven by a sharp decline in new business from abroad at service providers as travel restrictions were reimposed in some countries following rises in COVID-19 cases.

A marked increase in manufacturing new orders for the second month running helped to bring about a stabilisation of backlogs of work in the sector, thereby ending a 23-month sequence of depletion. Overall, outstanding business continued to fall, however, as service providers posted a sharper reduction than in July.

With underlying demand remaining muted and business confidence towards future activity softening from the previous month, companies in the eurozone continued to reduce their staffing levels. Employment decreased for the sixth successive month, although the rate of job cuts softened further from April's survey record. Falling workforce numbers were evident across both sectors, with manufacturers in particular continuing to lower employment rapidly.

Input costs increased for the third successive month in August. The rate of inflation was the sharpest since before the COVID-19 crisis hit, but remained relatively muted. The rise in input prices was centred on the service sector, while manufacturing input costs were broadly unchanged following more than a year of falling prices.

Companies continued to lower their own selling prices, extending the current sequence of decline to six months. That said, the latest reduction in charges was only slight and the softest in the current sequence of falling output prices. Charges were down across both monitored sectors amid a general lack of pricing power due to the weak demand environment.

By country, growth in Germany remained solid, seeing only a modest slowdown from July. Ongoing improvements in demand helped to support a rise in business confidence to the strongest in two years. That said, firms continued to lower their staffing levels.

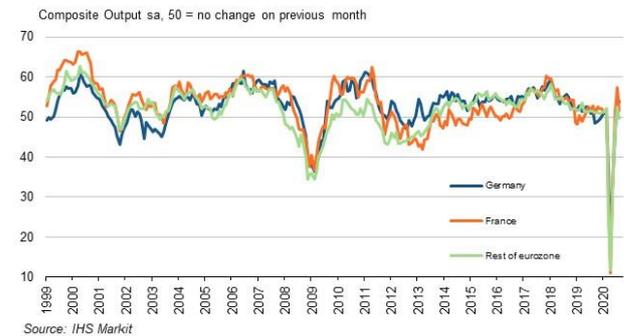
Meanwhile, growth in France suffered a loss of momentum following a strong rebound in the previous month. Modest rises in output and new orders were recorded, while new export business decreased. The rate of job cuts accelerated slightly.

While the two largest eurozone economies remained in growth territory, outside the 'big-2' output decreased in August. That said, the contraction was only marginal. New orders also fell slightly, while companies reduced employment at a solid pace that was unchanged from that seen in the previous month.

The flash estimate is typically based on approximately 85% of the final number of replies received each month, covering all countries included in the final PMI readings. However, only national data for France and Germany are published.

**includes intra-eurozone trade.*

Core v. Periphery PMI Output Indices



Core v. Periphery PMI Employment Indices



Comment

Commenting on the flash PMI data, Andrew Harker, Economics Director at IHS Markit said:

“The eurozone’s rebound lost momentum in August, highlighting the inherent demand weakness caused by the COVID-19 pandemic. The recovery was undermined by signs of rising virus cases in various parts of the euro area, with renewed restrictions impacting the service sector in particular. Manufacturers continued to post marked increases in output and new orders.

“Companies remain cautious when making decisions on employment, again opting to lower staffing levels in August amid a lack of confidence in the strength of the recovery.

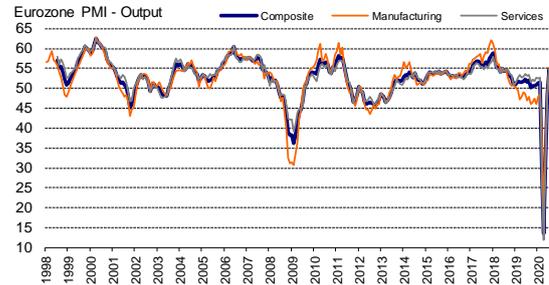
“The eurozone stands at a crossroads, with growth either set to pick back up in coming months or continue to falter following the initial post-lockdown rebound. The path taken will likely depend in large part on how successfully COVID-19 can be suppressed and whether companies and their customers alike can gain the confidence necessary to support growth.”

-Ends-

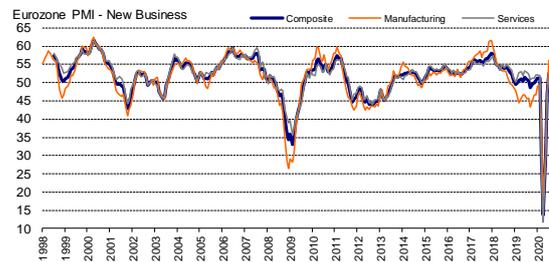
Summary of August data

Output	Composite	Modest increase in output.
	Services	Business activity broadly unchanged.
	Manufacturing	Rate of growth in manufacturing output accelerates.
New Orders	Composite	Second successive expansion of new orders.
	Services	Fractional decline in new business.
	Manufacturing	Further marked rise in new work.
Backlogs of Work	Composite	Backlogs fall at faster pace.
	Services	Rate of decline in outstanding business quickens.
	Manufacturing	Backlogs of work stabilise.
Employment	Composite	Employment continues to decline.
	Services	Further reduction in staffing levels.
	Manufacturing	Sharp job cuts recorded again.
Input Prices	Composite	Rate of input cost inflation quickens.
	Services	Fastest rise in input costs for six months.
	Manufacturing	Input prices broadly unchanged.
Output Prices	Composite	Slowest fall in charges for six months.
	Services	Softer reduction in output prices.
	Manufacturing	Modest decrease in selling prices.
PMI⁽³⁾	Manufacturing	PMI at two-month low of 51.7.

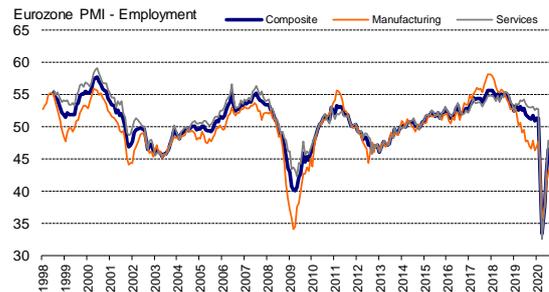
Output



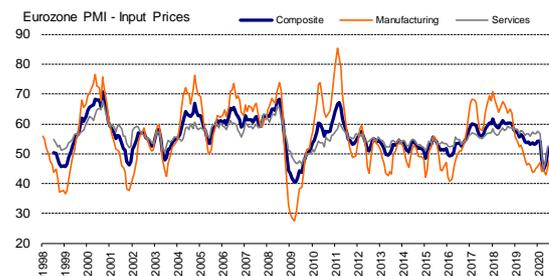
New business



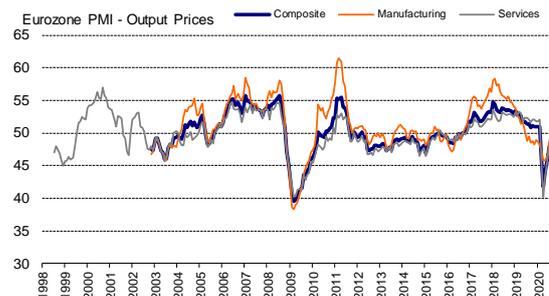
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final August data are published on 1 September for manufacturing and 3 September 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	0.2
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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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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