

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) June 5th 2018

IHS Markit Eurozone Composite PMI[®] – final data

Includes IHS Markit Eurozone Services PMI[®]

Euro area economic growth at one-and-a-half year low in May

Key findings:

- Final Eurozone Composite Output Index: **54.1** (Flash: 54.1, April Final: 55.1)
- Final Eurozone Services Business Activity Index: **53.8** (Flash: 53.9, April Final: 54.7)

Data collected May 11-25

The rate of expansion in eurozone economic activity eased to a one-and-a-half year low in May. Although growth remained relatively solid, the cooling seen since the turn of the year and a similar trend in new orders suggest that the outlook for the economy is less bright than in the opening quarter.

The final **IHS Markit Eurozone PMI[®] Composite Output Index** posted 54.1 in May, unchanged from the earlier flash estimate and its lowest level since November 2016. The headline index has nevertheless signalled expansion in each of the past 59 months. Rates of increase eased in both the manufacturing (18-month low) and service (16-month low) sectors.

Spain showed the most resilient economic performance in May, rising to the top of the 'big four' PMI growth rankings and being the only nation among this group to see its pace of expansion improve (three-month high). France and Germany saw their rates of increase ease to 16- and 20-month lows respectively. Although output growth in Italy was unchanged from April, it remained the weakest performer among the 'big-four' for the fifth straight month. Composite PMI data for Ireland are released June 6th.

May saw growth of eurozone new business ease to an 18-month low, with all of the big-four nations seeing slower rates of increase. Capacity pressures remained evident nonetheless, with

IHS Markit Eurozone Composite PMI



Countries ranked by output growth*: May

Spain	55.9	3-month high
France	54.2 (flash: 54.5)	16-month low
Germany	53.4 (flash: 53.1)	20-month low
Italy	52.9	Unchanged

* Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.

backlogs of work rising – albeit to the weakest extent since January 2017 – to extend the current sequence of increase to three years.

Job creation was registered for the forty-third successive month in May. The pace of growth also slowed to its weakest since last August. Rates of increase eased in Germany (17-month low), France (eight-month low) and Italy (two-month low), but accelerated in Spain (two-month high).

The combination of slower growth of output, new orders, backlogs and employment suggest that the outlook for the euro area economy is less bright than in quarter one. This was backed up by PMI data on business confidence, which showed optimism dipping to its lowest level in one-and-a-half years.

Inflation of input costs accelerated for the first time in four months in May, with rates of increase

strengthening in Germany, France and Spain. In contrast, average output charges rose at the slowest pace so far in 2018, as weaker increases in Germany and Italy offset accelerations in France and Spain.

Services

The rate of expansion in eurozone service sector activity continued to cool in May. At a 16-month low of 53.8, the final **IHS Markit Eurozone PMI® Services Business Activity Index** was below April's 54.7 and the earlier flash estimate of 53.9. The headline index has nonetheless signalled growth for 58 consecutive months.

The slowdown reflected trends in Germany and France. Rates of increase eased to 20- and 16-month lows respectively, with Germany seeing the slowest expansion of services output among the 'big four' nations. Spain and Italy saw mild growth accelerations, to three-month highs in both cases. Services PMI data for Ireland are released on 6th June.

The weaker expansion of activity in the eurozone service sector was matched by the trend in new business, with new orders rising at the slowest pace in almost one-and-a-half years. All of the big four nations saw milder growth of new work received.

Capacity constraints remained present in May, as backlogs of work rose despite the slower expansion in new orders. Outstanding business increased for the twenty-fourth month running, albeit at the slowest pace since February. Companies responded by raising employment, with job creation registered for the forty-third month in a row.

All of the 'big-four' nations expanded service sector employment during May. The steepest increase was in Spain, which was also the only nation to register a growth acceleration. Rates of expansion slowed in Germany (25-month low), France (eight-month low) and Italy (two-month low).

Price pressures strengthened in May, with rates of inflation in input costs and output charges both

picking up. Selling prices rose in Germany, France and Spain, but fell again in Italy.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"The pace of eurozone economic growth sank to a one-and-a-half year low in May, and has now slowed continually since January's peak to suggest that the region is on course for its worst quarter since 2016.

"The survey signals GDP growth of 0.4-0.5% for the second quarter, but there is much uncertainty as to whether the pace will continue to weaken in coming months.

"On the upside, companies reported business to have been disrupted by an unusually high number of holidays in May, especially in France and Germany, suggesting growth could rebound in June. But many other companies reported that demand has softened compared to earlier in the year.

"Measured across both manufacturing and services, both new order inflows and expectations regarding future business activity have descended to 18-month lows, meaning hiring has also been scaled back. Pricing power has also waned in line with weaker growth of demand.

"The slowdown since earlier in the year has been broad-based, though Spain has shown the greatest degree of resilience. Crisis-torn Italy has meanwhile reported the weakest expansion of the four largest euro member states for the fourth month running.

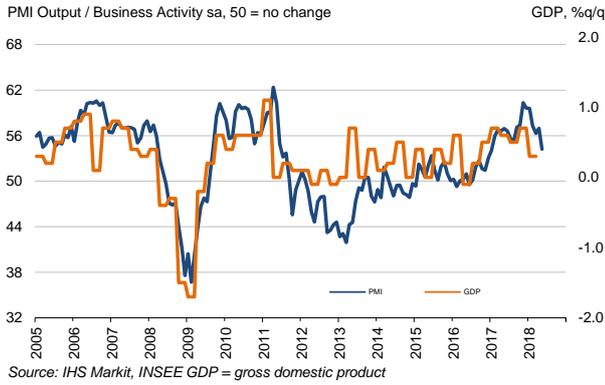
"With the economic indicators turning down at the same time as political uncertainty has spiked higher, the eurozone's outlook has darkened dramatically compared to the sunny forecast seen at the start of the year."

-Ends-

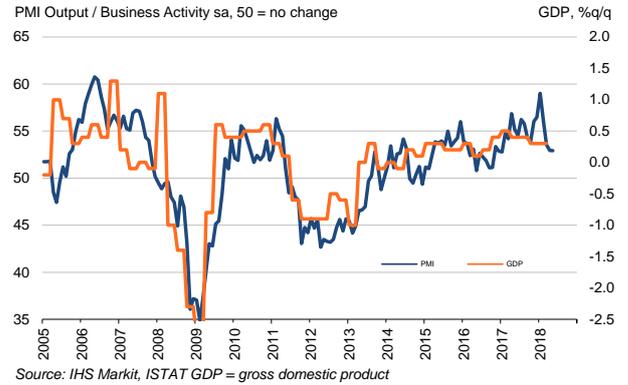
** [Click here](#) for further details of using the PMI to measure GDP in advance.

† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

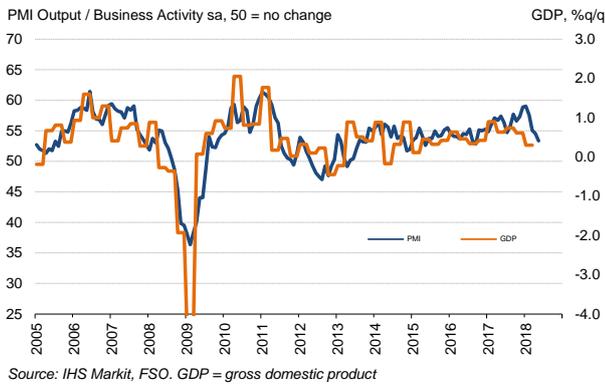
France



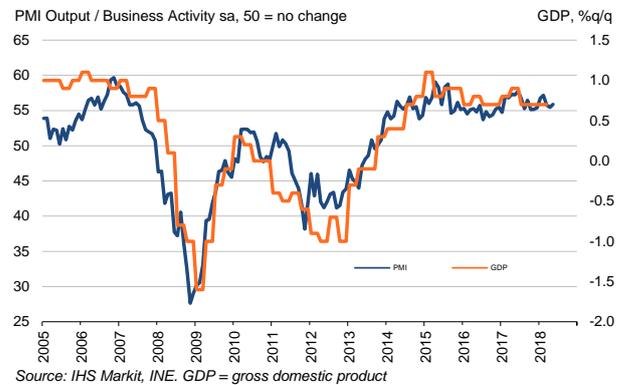
Italy



Germany



Spain



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Note to Editors:

The Eurozone Composite *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 manufacturing and services firms. 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 Eurozone Services *PMI* (*Purchasing Managers' Index*) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite *PMI* and Services *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The May composite flash was based on 88% of the replies used in the final data. The May services flash was based on 84% of the replies used in the final data. **Data were collected 11-25 May.**

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 <i>PMI</i>	0.0	0.2
Eurozone Services Business Activity <i>PMI</i>	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.

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About PMI

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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