

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) May 23 2018**

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

### Eurozone growth slips to one-and-a-half year low in May

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 54.1 (55.1 in April). 18-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 53.9 (54.7 in April). 16-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 54.5 (56.2 in April). 18-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 55.5 (56.2 in April). 15-month low.

Data collected May 11-22

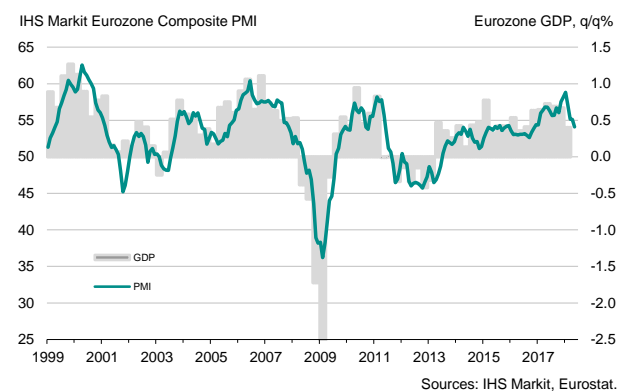
Flash PMI survey data showed business activity and new order growth slowing in May, with hiring and backlogs of work likewise exhibiting slower rates of increase. The survey also indicated that companies have become less optimistic about the outlook. There was mixed news on price trends, as cost pressures increased but selling price inflation slowed.

The IHS Markit Eurozone PMI fell from 55.1 in April to 54.1 in May, according to the flash reading which is based on approximately 85% of usual replies. By remaining well above the 50 no-change mark, the PMI continued to signal robust growth of business activity in the euro area. However, the latest increase was the weakest for one-and-a-half years, the rate of expansion having cooled for a fourth successive month.

Growth deteriorated in both manufacturing and services, down to 18- and 16-month lows respectively.

Inflows of new business likewise grew at a reduced pace, the rate of increase waning for a fifth successive month to reach the lowest since October 2016. Nineteen-month lows were seen in

#### IHS Markit Eurozone PMI and GDP



terms of both manufacturing and service sector new business growth.

Reduced new order inflows in the goods-producing sector were linked in part to weaker export\* growth, which registered the smallest rise since August 2016.

While the surveys from February through to April had seen widespread cases of business activity being disturbed by temporary factors such as bad weather, strikes, illness and the timing of Easter, the May survey saw frequent reports of business being disrupted by a higher than usual number of public holidays, which workers often bridged on to weekends.

The surveys nonetheless continued to provide anecdotal evidence of business being constrained by shortages of both raw materials and labour in some countries. Such constraints were also indicated by a further marked lengthening of supplier delivery times and rising backlogs of work. However, the extent of such constraints showed further signs of easing.

\* Please note that the Eurozone New Export Orders Index is a weighted average of export orders data collected from individual national PMI surveys and, as such, includes intra eurozone trade.

Although supplier delivery delays remained widespread, and close to the highest seen in the history of the survey, the incidence of such delays has fallen to the lowest since last September. Similarly, backlogs of work continued to grow but at the weakest rate since January 2017, easing in both manufacturing and services.

Pressure on capacity was alleviated to some extent by a further robust increase in employment, albeit with the rate of job creation slipping to the lowest for nine months. Job gains moderated in manufacturing and services alike.

Recruitment was hit in some cases by increased uncertainty about business prospects. Future expectations about business activity levels in a year's time dropped to an 18-month low. Confidence about the outlook waned in both manufacturing and services. However, the overall level of optimism remained above the long-run average, and in some cases the less positive outlook simply reflected the fact that the past year had been especially strong.

The May survey also brought mixed news on prices. Input cost inflation accelerated to a three-month high, buoyed in part by higher fuel and energy costs, alongside signs of rising wage pressures in some countries.

In contrast, average selling prices for goods and services rose at the slowest rate since last September, with companies often reporting difficulties in hiking prices amid weak final demand.

By country, growth slowed markedly in both France and Germany, but accelerated to a three-month high across the rest of the region as a whole. France's expansion was the weakest for 16 months. Although factory output growth improved to the fastest for three months, the French service sector reported the smallest rise in activity since January 2017. In Germany, business activity showed the smallest rise for 20 months, with rates of increase deteriorating in both manufacturing and services. Factory output growth was the weakest for 18 months while the service sector expanded to the least extent for 20 months.

## Comment

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

*"The May PMI brought yet another set of disappointing survey results, though once again a note of caution is required when interpreting the findings. While prior months have seen various factors such as extreme weather, strikes, illness and the timing of Easter dampen growth, May saw reports of business being adversely affected by an unusually high number of public holidays.*

*"Furthermore, despite the headline PMI dropping to an 18-month low, the survey remains at a level consistent with the eurozone economy growing at a reasonably solid rate of just over 0.4% in the second quarter.*

*"Job creation is also continuing to run at an encouragingly robust rate and optimism about the business outlook remains above its long-run average.*

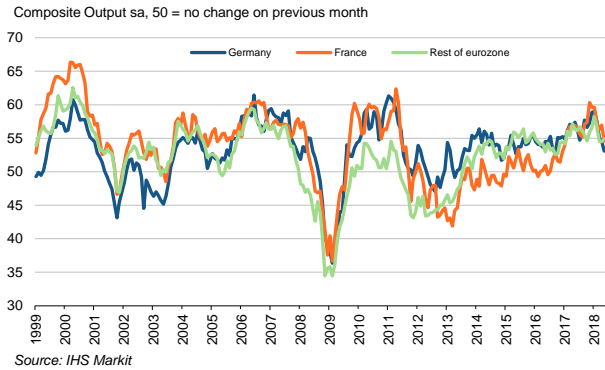
*"However, it's also becoming increasingly evident that underlying growth momentum has slowed compared to late last year, especially in relation to exports. Hiring has consequently shown signs of being reined-in. More expensive oil and rising wages are meanwhile continuing to push companies' costs higher, but weak final demand means firms are struggling to pass these higher costs onto customers.*

*"Some of the fog will hopefully lift with the June PMI data, providing a clearer signal of the underlying growth momentum. Until then, however, it's likely that the disappointing May survey results will rekindle some concerns regarding downside risks facing the euro area economy."*

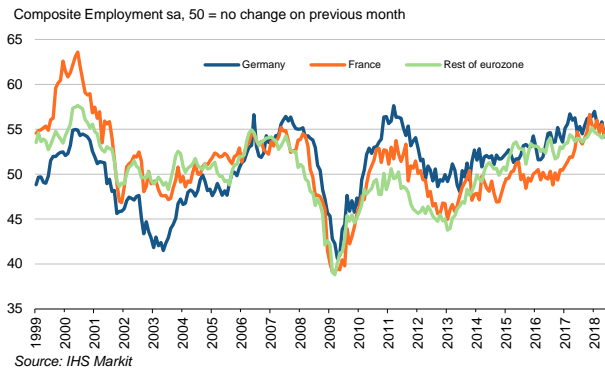
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### Core v. Periphery PMI Output Indices



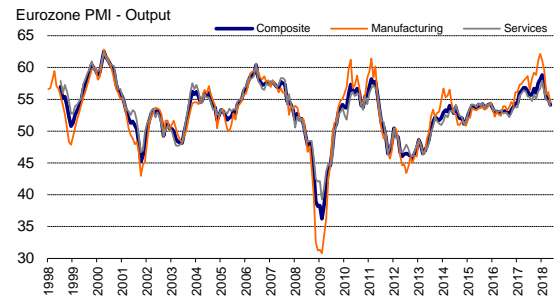
### Core v. Periphery PMI Employment Indices



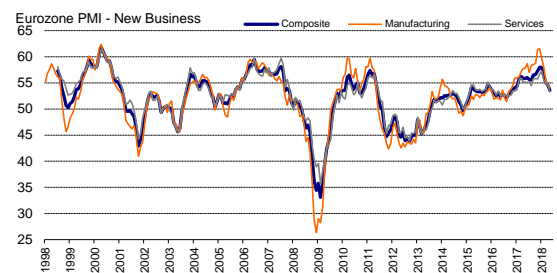
## Summary of May data

<b>Output</b>	<b>Composite</b>	<b>Slowest increase in output for a year-and-a-half.</b>
	Services	Growth eases to weakest since January 2017.
	Manufacturing	Manufacturing production rises at weakest pace in 18 months.
<b>New Orders</b>	<b>Composite</b>	<b>Weaker expansion of new orders.</b>
	Services	New business growth at 19-month low.
	Manufacturing	Increase in new orders eases for fifth month running.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Outstanding business increases modestly.</b>
	Services	Weaker rise in services backlogs of work.
	Manufacturing	Rate of accumulation at 20-month low.
<b>Employment</b>	<b>Composite</b>	<b>Rate of job creation remains solid.</b>
	Services	Jobs growth eases from April's recent high.
	Manufacturing	Further sharp rise in manufacturing employment.
<b>Input Prices</b>	<b>Composite</b>	<b>Fastest rise in input costs for three months.</b>
	Services	Services input prices increase at sharpest pace since January.
	Manufacturing	Rate of cost inflation accelerates.
<b>Output Prices</b>	<b>Composite</b>	<b>Further solid output price inflation.</b>
	Services	Modest increase in prices charged.
	Manufacturing	Selling price inflation eases to seven-month low.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at 15-month low of 55.5.

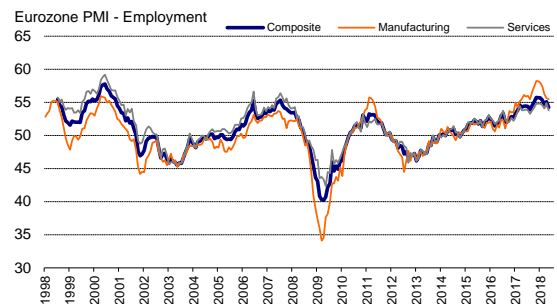
## Output



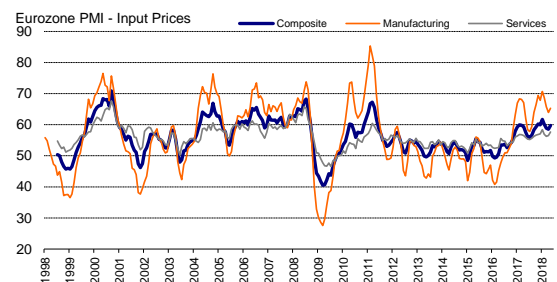
## New business



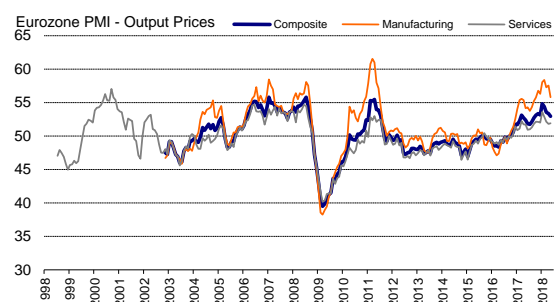
## Employment



## Input prices



## Output prices



Source: IHS Markit.

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**Note to Editors:**

Final May data are published on June 1 for manufacturing and June 5 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>3</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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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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