

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) January 24 2017

Markit Flash Eurozone PMI®

Eurozone employment growth at nine-year high as businesses report strong start to 2017

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 54.3 (54.4 in December). 2-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 53.6 (53.7 in December). 3-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 55.9 (56.1 in December). 2-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 55.1 (54.9 in December). 69-month high.

Data collected January 12-23

The eurozone economy continued to expand at a robust pace at the start of 2017, according to *PMI*[®] survey data, with employment rising at the fastest rate since 2008 amid rising optimism about the business outlook. Inflationary pressures meanwhile intensified further.

The Markit Eurozone PMI registered 54.3 in January according to the preliminary 'flash' estimates (based on approximately 85% of final replies). Although down marginally from 54.4 in December, the latest reading was the second-highest since December 2015 and one of the highest readings seen over the past five-and-a-half years.

Growth edged slightly lower in both manufacturing and services, but in both sectors the rate of expansion remained robust by recent standards, especially in the goods-producing sector. The latter continued to be boosted by rising exports¹, which once again showed a rate of increase not seen since the start of 2014, linked in many cases to the recent weakening of the euro.

¹ New export orders includes intra-euro area trade.

Markit Eurozone PMI and GDP



The start of the year also saw the largest monthly rise in employment since February 2008. Hiring gained momentum in both services and manufacturing on the back of sustained growth of new orders, the rate of increase of which held steady on December's one-year high, as well as improved optimism about the year ahead.

The January flash results include the release of a new index relating to business expectations about the next 12 months. This index rose to its highest since data were first collected in July 2012, indicating that companies had become increasingly optimistic about their own activity levels in the coming year.

Elevated levels of optimism were seen in both services and manufacturing, though only the latter saw expectations about future growth improve further in January.

Inflationary pressures meanwhile intensified further in January. Firms' average input costs rose at the fastest rate since May 2011, with rates of increase accelerating in both services and manufacturing.

Price hikes often reflected higher global commodity prices as well as increased import costs resulting from the euro's depreciation, notably against the US dollar. In the manufacturing sector, supplier price hikes were also often seen as a function of demand outstripping supply. A lengthening of suppliers' lead times indicated that delivery delays were the most widespread since June 2011.

Improved pricing power, combined with the desire to push higher costs on to customers, led to a further increase in average selling prices for goods and services in January. Although the rate of increase eased marginally, the latest two months have seen the largest – albeit still modest – back-to-back rises in selling prices for five-and-a-half years.

By country, growth slowed in **Germany** but remained above the eurozone average. Future expectations hit the highest since January 2014 and hiring accelerated, suggesting German companies are anticipating business activity growth to gain momentum, especially in manufacturing.

Business activity growth meanwhile remained below the eurozone average in **France** but nonetheless accelerated to the fastest since June 2011. The pace of hiring also picked up to its highest since December 2011, though future optimism waned slightly from December's recent high.

Elsewhere in the eurozone, the rate of growth of business activity slowed slightly but remained solid and among the highest seen over the past year, while job creation strengthened.

Comment

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

“The eurozone economy has started 2017 on a strong note. The January flash PMI is signalling respectable quarterly GDP growth of 0.4% with a broad-based expansion across both manufacturing and services.

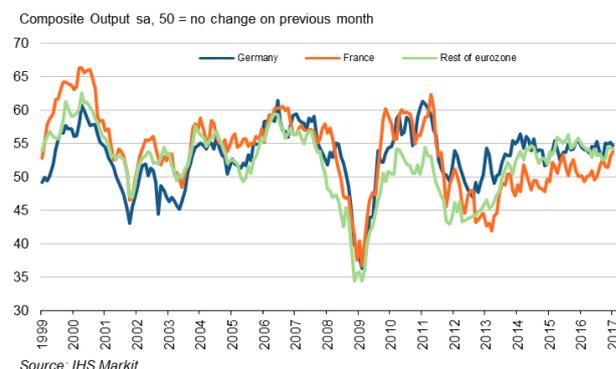
“Perhaps the most encouraging development is the upturn in hiring, with January seeing the largest monthly rise in employment for nine years amid improved optimism about the year ahead.

“Firms’ expectations about the year ahead are running at the highest for at least four-and-a-half years, highlighting how political risk continues to be widely eschewed, with companies focusing instead on expanding their sales in the coming year.

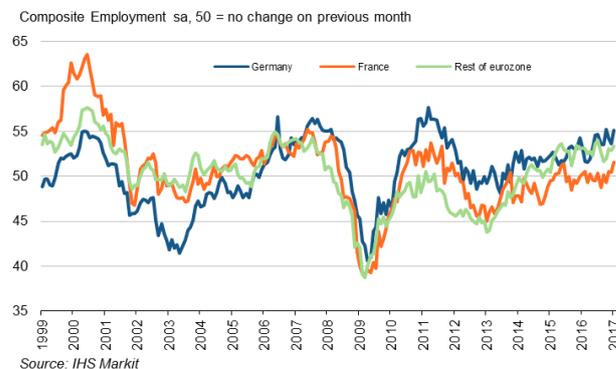
“It’s not all good news: with costs rising steeply due to higher commodity prices and the weak euro, while selling price growth remains subdued, margins are being squeezed to the greatest extent for over five years. However, the recent strengthening of demand is at least starting to help restore some pricing power among suppliers, hinting at an upturn in core inflationary pressures.”

-Ends-

Core v. Periphery PMI Output Indices



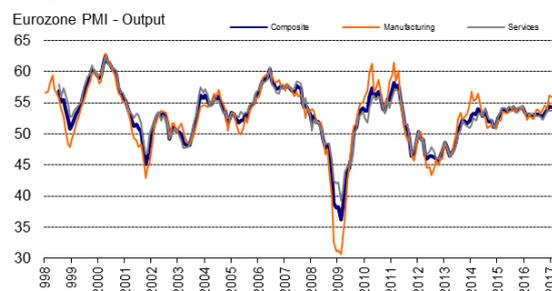
Core v. Periphery PMI Employment Indices



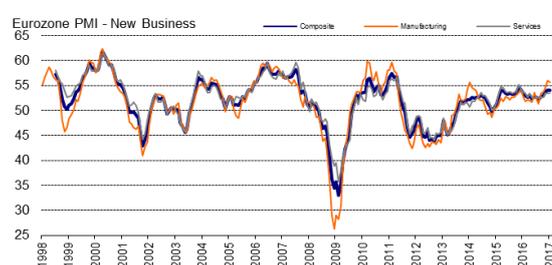
Summary of January data

Output	Composite	Rate of expansion remains solid.
	Services	Services expansion eases slightly since December.
	Manufacturing	Output growth remains strong.
New Orders	Composite	New business growth unchanged from December.
	Services	New business increases at fastest rate since January 2016.
	Manufacturing	New order growth remains sharp.
Backlogs of Work	Composite	Backlogs rise further.
	Services	Outstanding business increases for eighth month running.
	Manufacturing	Backlogs rise at weaker rate.
Employment	Composite	Strongest job creation since February 2008.
	Services	Fastest rate of job creation in six months.
	Manufacturing	Employment growth highest since March 2011.
Input Prices	Composite	Input price inflation at 68-month high.
	Services	Input prices rise at fastest rate in 67 months.
	Manufacturing	Fastest increase in purchasing costs since May 2011.
Output Prices	Composite	Charges rise for third month running.
	Services	Charge inflation slows.
	Manufacturing	Output prices increase at strongest rate since July 2011.
PMI⁽³⁾	Manufacturing	PMI rises to 69-month high of 55.1.

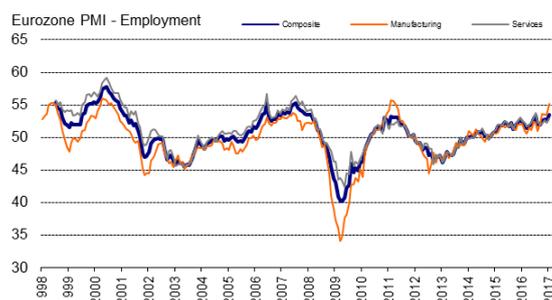
Output



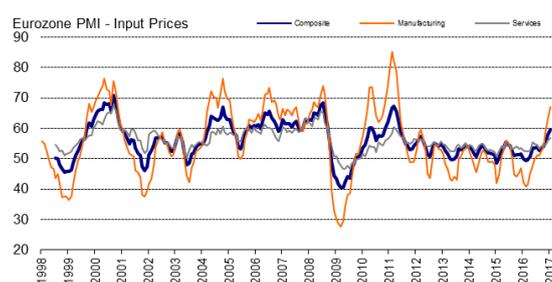
New business



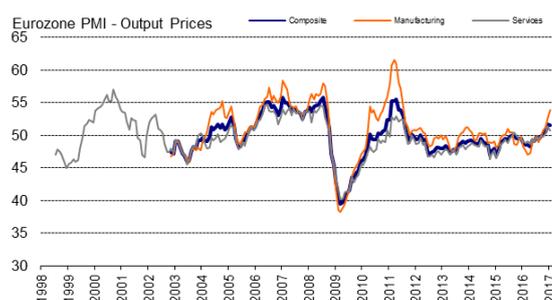
Employment



Input prices



Output prices



Source: IHS Markit.

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

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-555-5061
Email chris.williamson@ihsmarkit.com

Rob Dobson, Senior Economist
Telephone +44-1491-461-095
Mobile +44-782-691-3863
Email rob.dobson@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

Final January data are published on February 1 for manufacturing and February 3 for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by 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> ³	0.0	0.2
Eurozone Services Business Activity Index ²	0.1	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.

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 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?"

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 30 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 www.markit.com/product/pmi.

The intellectual property rights to the Flash Eurozone *PMI*[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).