

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Eurozone Manufacturing PMI[®] – final data

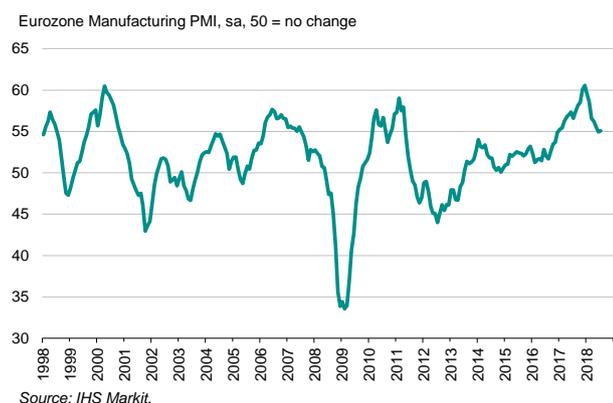
Eurozone manufacturing growth remains subdued at start of quarter three

Key findings:

- Final Eurozone Manufacturing PMI at 55.1 in July (Flash: 55.1, June Final: 54.9)
- Growth of both output and new orders remain subdued compared to earlier in the year
- New export order growth at near-two year low amid concerns about tariffs and trade wars

Data collected July 12-24

IHS Markit Eurozone Manufacturing PMI

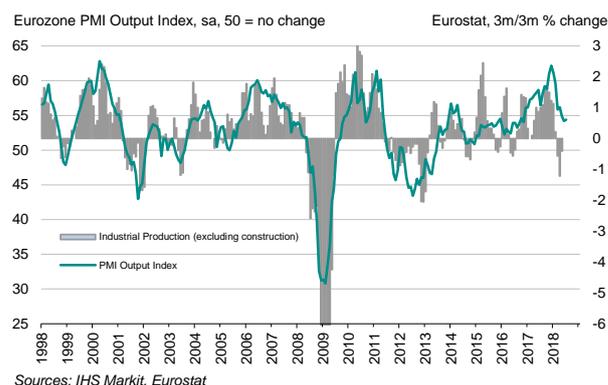


The performance of the euro area manufacturing sector remained subdued at the start of the third quarter. Although the final IHS Markit Eurozone Manufacturing PMI[®] posted 55.1 in July, unchanged from the earlier flash estimate, this was only a minor recovery from June's 18-month low of 54.9 and over five points below the record high registered at the end of 2017.

Sector data signalled that business conditions improved across the consumer, intermediate and investment goods sectors, with mild growth upticks signalled in the latter two. Similar to the trend at the all-manufacturing level, rates of expansion were weaker than at the turn of the year in all three sub-industries.

Countries ranked by Manufacturing PMI: July

Netherlands	58.0	14-month low
Germany	56.9 (flash: 57.3)	2-month high
Austria	56.8	2-month high
Ireland	56.3	2-month low
Greece	53.5	Unchanged
France	53.3 (flash: 53.1)	2-month high
Spain	52.9	11-month low
Italy	51.5	21-month low



July saw the Netherlands, Germany and Austria remain the strongest-performing nations. Growth improved slightly in the latter two, but eased to a 14-month low in the Netherlands. Rates of expansion also slowed in Italy, Spain and Ireland, whereas an acceleration was registered in France.

Eurozone manufacturing output increased again in July. Despite a mild improvement, the rate of expansion was the second-weakest since November 2016. The more subdued trend in output growth in recent months reflects a concurrent slowdown in the pace of increase in new orders. The latest rise in new business was identical to the 22-month growth low registered in June.

Inflows of new work have been stymied recently by a weakening trend in the pace of increase in new export orders, amid uncertainty about the economic

outlook and worries about tariffs and trade wars. July saw new export business increase at the slowest pace since August 2016. Weaker growth was seen in Italy, the Netherlands, Greece and Ireland, while France and Austria saw exports decline. Although Germany and Spain saw improved expansions, these were much weaker than those registered at the start of the year.

Work-in-hand (but not yet completed) continued to increase in July, although the pace of expansion eased to its weakest for two years. Companies responded to the ongoing pressure on capacity by increasing employment, with staffing levels rising for the forty-seventh successive month.

All of the nations covered by the survey registered an increase in employment during July. Similar to the trend in output growth, the fastest job creation was recorded in Austria, the Netherlands and Germany. Only France, Austria and Greece saw staffing levels rise at quicker rates than in June.

Price pressures remained elevated in July, with input costs and output charges both rising at above survey-average rates. That said, purchase price inflation was slightly weaker than in June, while the increase in output charges was the least marked since September 2017. Increases in input costs were linked to tariffs, trade wars, supply-chain delays and raw material shortages.

Business optimism about future business conditions improved slightly, as companies retained confidence that output levels would be higher in one year's time. However, the overall degree of positive sentiment remained among the lowest seen over the past two years. Business confidence improved in Germany, France, Italy and the Netherlands.

Comment

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

“A marginal uptick in the PMI provides little cause for cheer given it is the second weakest number for more than one-and-a-half years. The past two months have seen the most subdued spell of factory output growth since late-2016. Worse may be to come. Even this reduced rate of output growth continued to outpace order book growth, resulting in the smallest rise in order book backlogs for two years. The clear implication is that manufacturers may have to adjust production down in coming months unless demand revives.”

“Clues to the current soft patch lie in the export growth trend, which has deteriorated dramatically since the start of the year across all member states to reach a near-two year low, with France and Austria seeing exports fall into decline in July.”

“The survey responses indicate that the slowdown likely reflects worries about trade wars, tariffs and rising prices, as well as general uncertainty about the economic outlook. Optimism about the future remained at one of the lowest levels seen over the past two years.”

-Ends-

* Includes intra-eurozone trade.

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Note to Editors:

The Eurozone Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 89% of eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The July 2018 flash was based on 92% of the replies used in the final 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 Manufacturing <i>PMI</i>	0.0	0.2

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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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