

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Eurozone PMI[®]

Manufacturing sector supports further strong expansion of eurozone economy

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 55.8 (55.7 in July). 2-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 54.9 (55.4 in July). 7-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 58.1 (56.5 in July). 2-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 57.4 (56.6 in July). 2-month high.

Data collected August 11-22

The eurozone economy maintained growth momentum during August, according to PMI[®] survey data, with output across the currency area rising at a broadly similar pace to July. The expansion was supported by a strong rise in manufacturing production, while services business activity increased at a weaker pace.

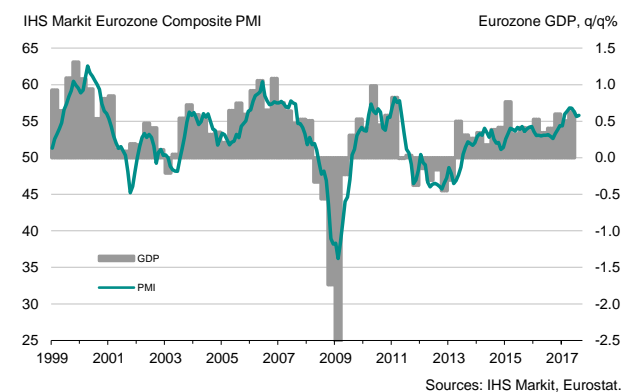
The headline IHS Markit Eurozone PMI posted 55.8 in August, up fractionally from July's reading of 55.7, according to the preliminary 'flash' estimate (based on approximately 85% of final replies).

The index again signalled strong growth of the euro area private sector, with the rate of expansion remaining around the best seen over the past six years.

The manufacturing sector performed strongly, with both output and new orders rising at sharper rates in August. The latter was boosted by the fastest rise in exports for six-and-a-half years. The service sector, on the other hand, saw growth of activity ease to a seven-month low. That said, the rate of expansion remained solid amid a further increase in new orders.

The rate of accumulation in outstanding business

IHS Markit Eurozone PMI and GDP



eased to the slowest since January during August. This was reflective of trends in the service sector, however, as strong inflows of new work led manufacturing backlogs to increase at the strongest pace in over 11 years.

The rate of job creation remained solid during the latest survey period, but slower employment growth was recorded across both the manufacturing and service sectors.

The recent trend of easing inflationary pressures came to an end in August, with cost inflation picking up for the first time since February. A similar pattern was observed with regards to output prices, which rose at the fastest pace in three months. That said, the rate of charge inflation remained modest.

Business confidence continued to ease from the record high seen in May. Optimism was the lowest since last November, albeit still strong overall.

The big-two eurozone economies of Germany and France continued to register strong output growth in August. Germany posted a faster expansion than in July, while the increase in France was unchanged from the previous month. Notably, French

manufacturing production rose at the fastest pace since April 2011.

The rest of the eurozone saw a slightly weaker increase in output during the month, albeit one that was still marked. A slower rise in services activity outweighed stronger growth of manufacturing output.

Comment

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

“The latest PMI readings for the eurozone signal a continuation of the recent strong performance of the currency bloc’s economy. This stabilisation in the rate of expansion is pleasing, following signs of growth easing in recent months.”

“The survey data over the first two months of the quarter are consistent with only a fractional easing in the rate of growth of GDP from the 0.6% rise in Q2.”

“There was further evidence of growth cooling in the service sector, where both business activity and new orders rose at the weakest rates since January.”

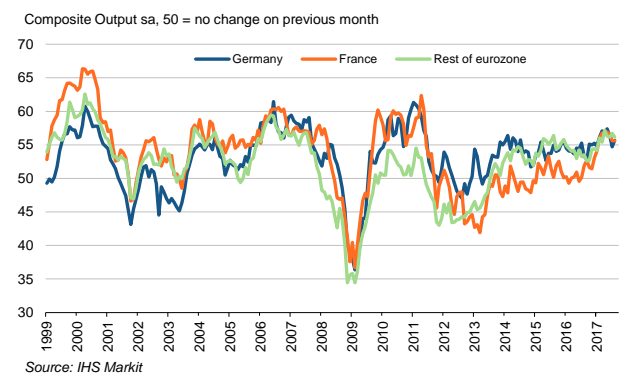
“However, this was counterbalanced by further impressive manufacturing data as goods producers were able to secure new export orders at the fastest pace in six-and-a-half years. Stronger order inflows added to capacity pressures, with manufacturing backlogs increasing to the greatest extent since mid-2006. This bodes well for the labour market as firms will likely look to hire extra staff to deal with outstanding work.”

“Both input costs and output prices increased at faster rates in August. The rise in charges was modest and weaker than those seen earlier in the year, however, and will therefore be of little concern to the ECB.”

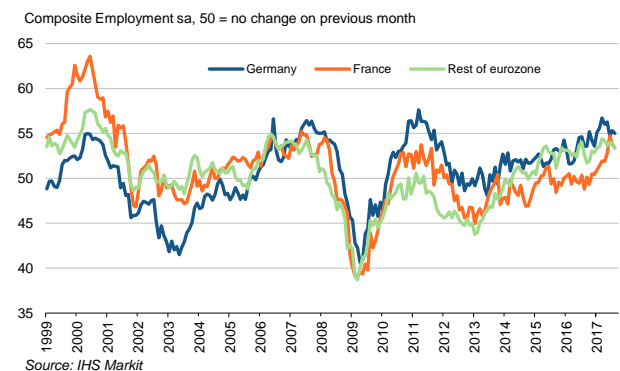
“Overall, this is another positive set of numbers for the euro area, which continues to enjoy its best growth spell for a number of years.”

-Ends-

Core v. Periphery PMI Output Indices



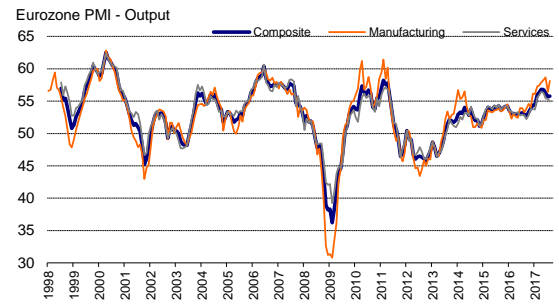
Core v. Periphery PMI Employment Indices



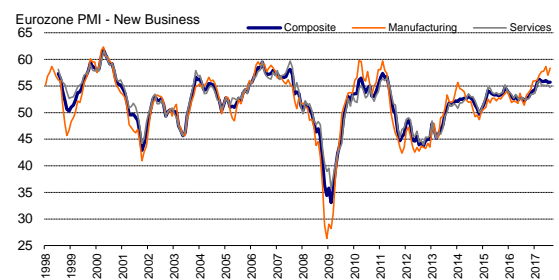
Summary of August data

Output	Composite	Business activity expands sharply again.
	Services	Slower increase in services activity.
	Manufacturing	Manufacturing output rises at faster pace.
New Orders	Composite	Rate of new order growth unchanged.
	Services	Weakest increase in seven months.
	Manufacturing	Sharper rise in manufacturing new orders.
Backlogs of Work	Composite	Backlogs increase at slower pace.
	Services	Slight accumulation of outstanding work.
	Manufacturing	Steepest rise in work-in-hand since July 2006.
Employment	Composite	Slowest rise in staffing levels since February.
	Services	Solid increase in employment.
	Manufacturing	Job creation remains strong.
Input Prices	Composite	Faster rise in input prices.
	Services	Cost inflation at four-month high.
	Manufacturing	Sharpest increase in input prices since May.
Output Prices	Composite	Charge inflation at three-month high.
	Services	Slight increase in output prices.
	Manufacturing	Faster rise in factory gate prices.
PMI⁽³⁾	Manufacturing	PMI at two-month high of 57.4.

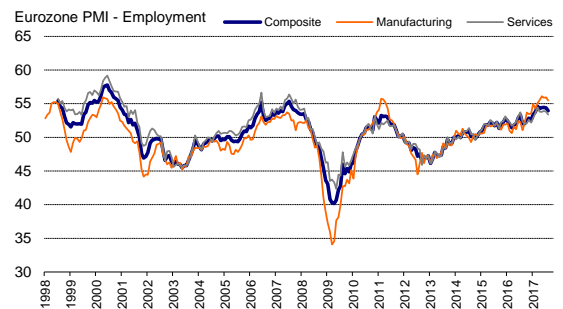
Output



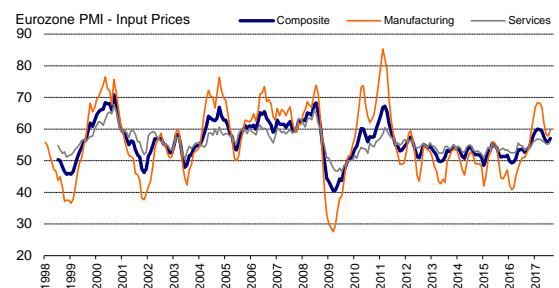
New business



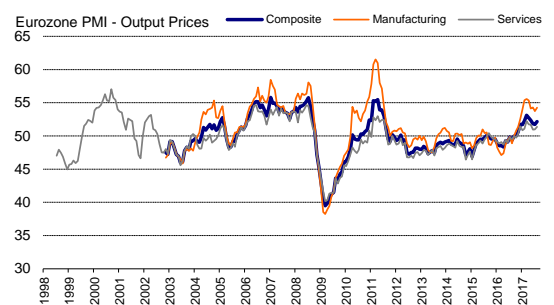
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final August data are published on September 1 for manufacturing and September 5 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> ³	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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About PMI

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