

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

Eurozone upturn steps up a gear as growth approaches six-year high

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 56.0 (54.4 in January). 70-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 55.6 (53.7 in January). 69-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 57.2 (56.1 in January). 70-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 55.5 (55.2 in January). 70-month high.

Data collected February 10-20

The pace of eurozone economic growth improved markedly to hit a near six-year high in February, according to *PMI*® survey data. Job creation was the best seen for nine and a half years, order book growth picked up and business optimism moved higher, all boding well for the recovery to maintain strong momentum in coming months. Inflationary pressures meanwhile continued to intensify.

The Markit Eurozone PMI registered 56.0 in February, according to the preliminary 'flash' estimate (based on approximately 85% of final replies). Up from 54.4 in January, the latest reading was the highest since April 2011.

Growth accelerated in both manufacturing and services to rates not seen since early-2011, with the goods-producing sector again enjoying the faster rate of expansion.

February also saw the largest overall increase in new business since April 2011. Inflows of new work grew at the strongest rates for almost six years in both manufacturing and services, reflecting a broad-based upturn in demand. Manufacturers' order books again received an extra boost from

rising exports¹, which also swelled to the greatest extent since April 2011 due to the combination of rising demand and the weaker euro.

Markit Eurozone PMI and GDP



Stronger influxes of new work meant backlogs of work accumulated at a rate not seen since May 2011, suggesting firms in both sectors lacked capacity to cater for current demand.

The increase in outstanding work occurred despite firms taking on staff at a faster pace. February saw the largest monthly rise in employment since August 2007. Service sector jobs were created at a rate not seen for nine years and factory headcounts showed the second-largest rise in almost six years.

Firms' appetite to hire was also buoyed by improved confidence about the outlook. Business expectations about activity levels in a year's time rose to the highest since comparable data were first available in July 2012, lifting in services though dipping slightly in manufacturing.

Inflationary pressures meanwhile continued to

¹ New export orders includes intra-euro area trade.

intensify. Firms' average input costs rose at the steepest rate since May 2011, with rates accelerating in both services and manufacturing. The latter once again recorded the steeper rise, linked to higher global commodity prices, the weak euro and suppliers regaining some pricing power amid stronger demand.

Suppliers' delivery times, a key gauge of supply chain capacity constraints and pricing power, indicated that delivery delays were the most widespread since June 2011.

Average selling prices for goods and services also rose as firms passed higher costs onto customers. However, although rising at the steepest rate since July 2011, the rate of inflation remained muted compared to that seen for input costs, suggesting margins remained under pressure.

By country, growth accelerated to show similar robust rates in both **France** and **Germany**, where composite PMIs of 56.2 and 56.1 were recorded respectively. Both countries saw new orders rise at the steepest rates since May 2011, propelling employment higher in each case. However, whereas the German upturn was led by manufacturing, it was the service sector that enjoyed the faster growth in France.

A key difference was prices: whereas both saw input costs rise at rates not seen since mid-2011, French firms continued to report falling selling prices while German output prices showed the largest monthly increase since June 2011.

Elsewhere in the eurozone, the rate of growth of business activity hit a 14-month high, accelerating in both manufacturing and services. Job creation rose to the highest in seven months, but costs also showed the largest rise since April 2011. Prices charged rose only slightly, albeit also increasing at the highest rate for almost six years.

Comment

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

"The eurozone economy moved up a gear in February. The rise in the flash PMI to its highest since April 2011 means that GDP growth of 0.6% could be seen in the first quarter if this pace of expansion is sustained into March.

"With inflows of new orders also surging and firms becoming even more optimistic about the year

ahead, growth could even lift higher in coming months.

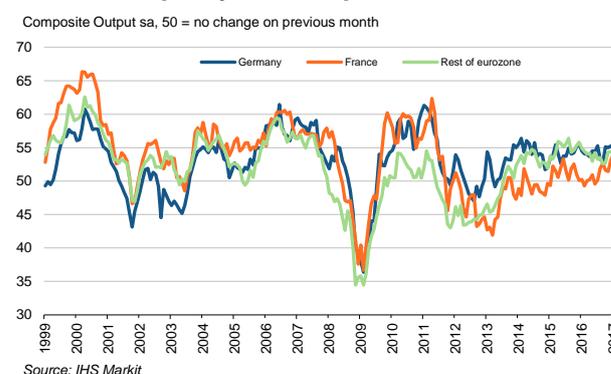
"The survey therefore indicates that companies are currently firmly focused on expanding in the face of rising sales and fuller order books.

"The big surprise was France, where the PMI inched above that of Germany for the first time since August 2012. Both countries look to be growing at rates equivalent to 0.6-0.7% in the first quarter. France's revival represents a much-needed broadening out of the region's recovery and bodes well for the eurozone's upturn to become more self-sustaining.

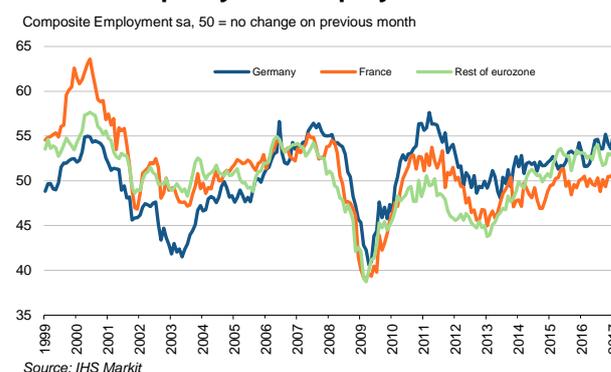
"The ECB will be cheered by the signs of stronger growth and further upturn in price pressures, though will no doubt remain concerned that elections and Brexit could disrupt the business environment this year. No change in policy therefore looks likely until at least after the German elections in September."

-Ends-

Core v. Periphery PMI Output Indices



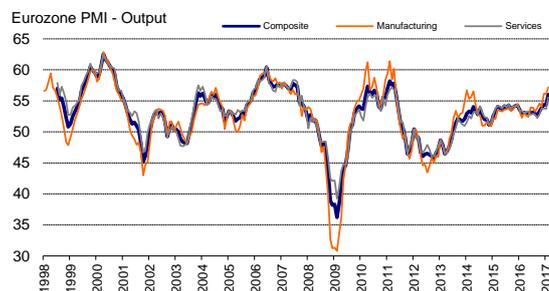
Core v. Periphery PMI Employment Indices



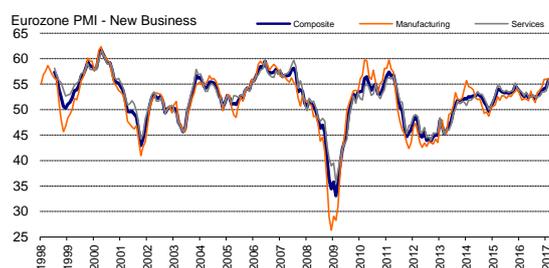
Summary of February data

Output	Composite	Fastest rise in output since April 2011.
	Services	Rate of expansion in services activity accelerates.
	Manufacturing	Production growth at 70-month high.
New Orders	Composite	Sharp and accelerated increase in new orders.
	Services	Fastest rise in new business since April 2011.
	Manufacturing	Further strong growth of new orders.
Backlogs of Work	Composite	Sharpest rise in backlogs in 69 months.
	Services	Solid expansion in outstanding business.
	Manufacturing	Slightly faster increase in backlogs.
Employment	Composite	Job creation fastest since August 2007.
	Services	Sharpest increase in payroll numbers in nine years.
	Manufacturing	Further solid rise in employment.
Input Prices	Composite	Cost inflation at 69-month high.
	Services	Sharp and accelerated rise in input prices.
	Manufacturing	Steepest increase in purchasing costs since May 2011.
Output Prices	Composite	Charge inflation remains modest.
	Services	Slight increase in output prices.
	Manufacturing	Sharpest rise in charges since June 2011.
PMI⁽⁹⁾	Manufacturing	PMI increases to 70-month high of 55.5.

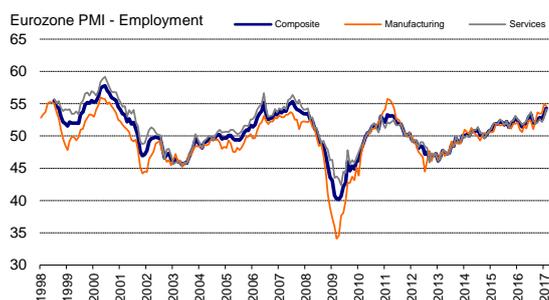
Output



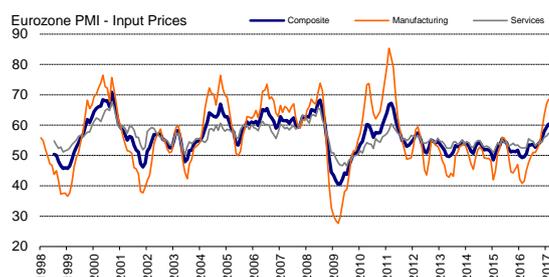
New business



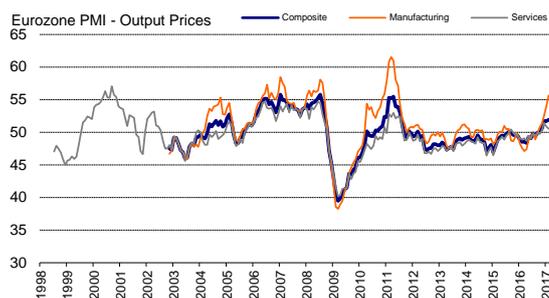
Employment



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 February data are published on March 1 for manufacturing and March 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	0.3
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.

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?"

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