

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

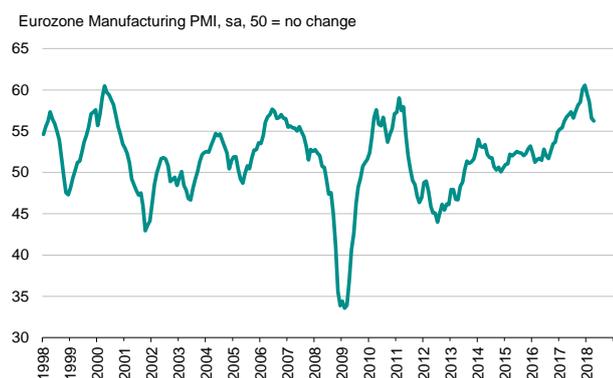
Eurozone manufacturing growth slows again at start of second quarter

Key findings:

- Final Eurozone Manufacturing PMI at 56.2 in April (Flash: 56.0, March Final: 56.6)
- Slower rates of expansion in five of the eight nations covered
- Slower increases in new work and employment offset slightly stronger gain in output

Data collected April 12-23

IHS Markit Eurozone Manufacturing PMI

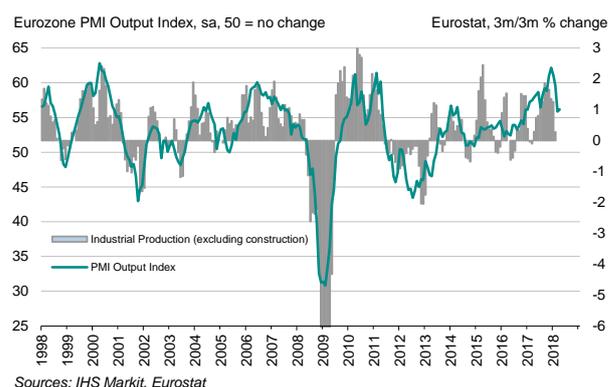


The start of the second quarter saw a further slowing in the rate of growth in the eurozone manufacturing sector. The final IHS Markit Eurozone Manufacturing PMI[®] fell to a 13-month low of 56.2 in April, down from 56.6 in March and slightly above the earlier flash estimate of 56.0. Although still signalling a solid rate of expansion, the upturn has lost noticeable momentum since the PMI hit a record high in December 2017.

Five out of the eight nations covered (the Netherlands, Germany, Italy, Spain and Greece) registered slower rates of growth than in the prior month. The pace of expansion was unchanged in Austria and improved in both France and Ireland. The top-three performers remained the Netherlands, Germany and Austria.

Countries ranked by Manufacturing PMI: Apr.

Netherlands	60.7	6-month low
Germany	58.1 (flash: 58.1)	9-month low
Austria	58.0	Unchanged
Ireland	55.3	2-month high
Spain	54.4	7-month low
France	53.8 (flash: 53.4)	2-month high
Italy	53.5	15-month low
Greece	52.9	5-month low



Sub-sector data indicated that the slowdown was mainly centred on the intermediate goods industry, although there was also a mild softening in the rate of growth at investment goods producers (which remained the top-performing sector). The rate of expansion in the consumer goods sector ticked higher, but remained below the other two categories.

The weaker growth signalled by the headline PMI was mainly due to slower (yet still robust) increases in new orders and employment. In contrast, output rose at a slightly faster pace than in March.

Intakes of new work expanded to the least marked extent since November 2016, in part reflecting a slowdown in the pace of increase in new export orders* (also to a 17-month low). Some firms linked this to the recent strengthening of the euro exchange rate, especially against the US dollar. Growth of new

export orders slowed in almost all of the nations covered, the only exceptions being slight improvements in Germany and France.

Manufacturing employment rose for the forty-fourth month running in April. Although the rate of job creation eased to its lowest since last August, it remained well above the long-run survey average. Companies attributed the sustained increase in staffing levels to solid growth of new orders and output, alongside a continued accumulation of backlogs of work (a by-product of robust demand testing capacity).

All of the nations covered by the survey reported an increase in employment during April. The strongest expansions were registered in the Netherlands, Austria and Germany, and the weakest in Spain. Only two countries – France and Austria – saw faster job creation than in March.

The rate of input price inflation faced by euro area manufacturers remained substantial in April, despite easing to an eight-month low. Higher costs reflected ongoing rises in commodity prices, in some cases exacerbated by supply-side constraints such as raw material shortages. These constraints also impacted on the performance of suppliers, with average vendor lead times again lengthening to one of the greatest extents in the survey history.

Part of the increase in purchase prices was passed on to clients in the form of higher output charges in April. Moreover, the rate of selling price inflation edged up from March's three-month low. All of the nations covered registered an increase in charges, with the steepest seen in Germany and the weakest in Greece.

The outlook for the eurozone manufacturing sector remained positive in April, with companies expecting (on average) output volumes to be higher in one year's time. That said, the degree of positive sentiment dipped to a 16-month low, reflecting more subdued confidence in six of the nations covered (the exceptions being improved positivity in Germany and Greece).

* Includes intra-eurozone trade.

Comment

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

“The manufacturing sector saw growth weaken further at the start of the second quarter, but let's not lose sight of the fact that the overall pace of expansion remains encouragingly solid.

“Although growth has slowed markedly compared to the start of the year, December had seen the best performance in over 20 years of survey data collection, with factory activity clearly surging at an unsustainable rate. Since then, supply constraints – including raw material scarcities, supplier delivery delays and skill shortages – have constrained production. Strikes, bad weather and unusually high levels of illness have also plagued businesses.

“Some of these adverse factors are therefore likely to be reversed in coming months, as capacity is increased, supply improves and factors such as strikes and weather cause fewer problems.

“However, anecdotal evidence from the surveys also highlights how demand has been curbed by other issues such as the stronger euro and rising prices. Uncertainty has also intensified due to worries regarding trade wars and Brexit, underscoring downside risks to the outlook.

“While the current pace of growth remains solid, the trend in the surveys in coming months will provide important clues as to the degree to which underlying demand may be waning and the extent to which policymakers should be concerned about the health of the economy.”

-Ends-

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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 April 2018 flash was based on 89% 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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