

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

Eurozone starts 2018 with fastest growth for nearly 12 years

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 58.6 (58.1 in December). 139-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 57.6 (56.6 in December). 125-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 61.1 (62.2 in December). 2-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 59.6 (60.6 in December). 3-month low.

Data collected January 12-23

The eurozone started 2018 with a further acceleration of growth to a near 12-year high, accompanied by the largest payroll gain since 2000 and the highest price pressures for nearly seven years.

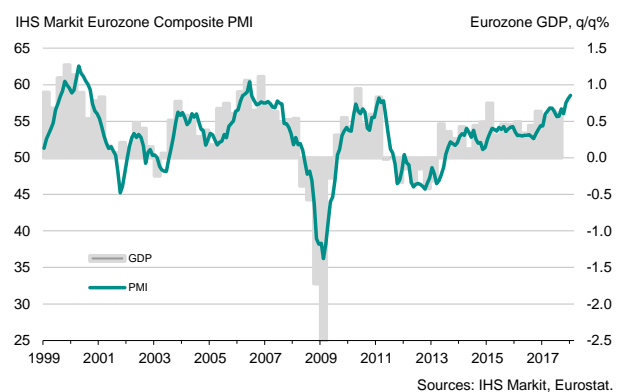
The headline IHS Markit Eurozone PMI rose to 58.6 in January, according to the 'flash' estimate (based on approximately 85% of final replies), up from 58.1 December and its highest since June 2006.

An acceleration of service sector growth to the fastest since August 2007 was partly countered by a slowdown in manufacturing output growth, though the latter remained very buoyant. The latest three months have seen the strongest factory output increase since 2000.

Activity was buoyed by a further marked and broad-based increase in new business. Although down fractionally on the rise seen in December, January's inflows of new orders were the second-largest since July 2007, reflecting a further improvement in demand for both goods and services.

Companies also grew more optimistic about the outlook for the year ahead in January, with business expectations reviving to an eight-month high.

IHS Markit Eurozone PMI and GDP



Capacity and prices

Amid strong growth of new orders and improved confidence about the outlook, companies expanded their workforce numbers to the greatest extent since September 2000. Factory payroll growth held close to recent record highs while service sector job gains hit the highest since October 2007.

Despite the increased workforce numbers, capacity continued to show signs of being stretched. Although down to a three-month low, growth of backlogs of work once again ran at one of the highest rates seen over the past decade. Similarly, supplier lead times to factories showed one of the longest lengthenings on record, highlighting the extent to which demand has exceeded supply for many inputs.

Price pressures meanwhile intensified during January, in part reflecting improved pricing power as demand outpaced supply, as well as rising oil prices. Average input costs and selling prices both showed the biggest monthly increases since April 2011, with rates of inflation accelerating in both manufacturing and services.

By country, growth in **Germany** came in only slightly weaker than December's peak, which had been the highest since April 2011, though future optimism ticked higher, and both jobs growth and price pressures hit near seven-year highs. Growth was led by manufacturing, though the expansion of service sector activity accelerated in January.

In **France**, the composite PMI ticked higher, albeit down on November's peak. The latest three months have seen France's best growth spell since the spring of 2011 and the strongest employment gain since mid-2001, albeit with the pace of job creation cooling slightly in January. Price pressures rose to the highest since 2011.

Elsewhere, business activity rose at the fastest pace since July 2006, with manufacturing recording the strongest monthly increase in output since April 2000. Service sector growth accelerated but remained below some of the peaks seen last year. Prices charged rose at the steepest rate for nearly a decade.

Comment

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

"The eurozone has got off to a flying start in 2018, with business activity expanding at a rate not seen for almost 12 years. The acceleration of growth pushes the survey data into territory consistent with the economy expanding at a super-strong quarterly rate approaching 1%.

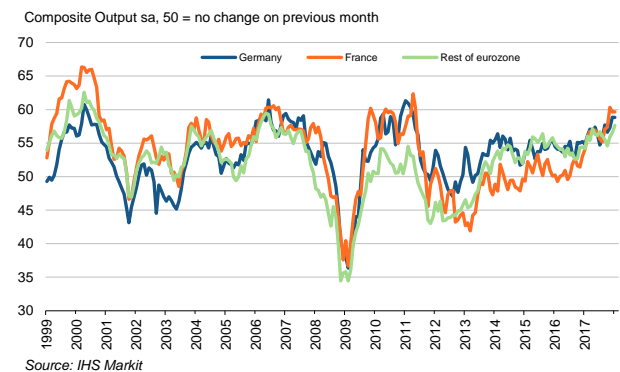
"With employment growing at the fastest pace for 17 years, an improving labour market should feed through to higher consumer spending, which should help further drive the economic upturn as 2018 proceeds, as well as higher wages.

"Price pressures are meanwhile running at their highest for almost seven years, accelerating further at the start of 2018. Higher oil prices have pushed up costs, but pricing power more generally has improved as demand outstrips supply for many goods, leading to a sellers' market.

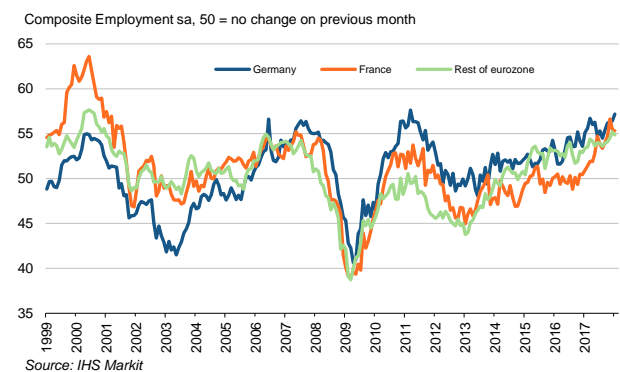
"With such a strong start to the year, expect to see forecasters mark up their expectations of eurozone growth and inflation in 2018, and for policymakers to sound more hawkish."

-Ends-

Core v. Periphery PMI Output Indices



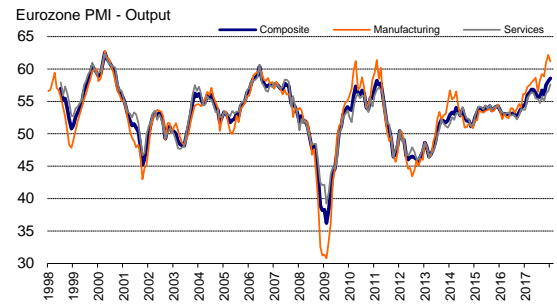
Core v. Periphery PMI Employment Indices



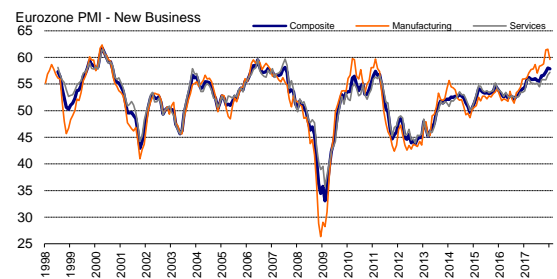
Summary of January data

Output	Composite	Growth strongest since June 2006.
	Services	Fastest rise in services activity for over a decade.
	Manufacturing	Production increases sharply, albeit at slightly slower pace.
New Orders	Composite	Further steep rise in new orders.
	Services	Expansion of new business sharpest since August 2007.
	Manufacturing	Rate of new order growth eases.
Backlogs of Work	Composite	Backlogs of work continue to rise.
	Services	Solid increase in outstanding business.
	Manufacturing	Rate of accumulation eases to three-month low.
Employment	Composite	Sharpest rise in staffing levels since September 2000.
	Services	Employment growth at 123-month high.
	Manufacturing	Job creation remains elevated.
Input Prices	Composite	Cost inflation at 81-month high.
	Services	Sharpest rise since April 2011.
	Manufacturing	Faster increase in manufacturing input costs.
Output Prices	Composite	Sharpest increase in charges since April 2011.
	Services	Charge inflation at nine-and-a-half year high.
	Manufacturing	Fastest rise in 81 months.
PMI⁽³⁾	Manufacturing	PMI at 3-month low of 59.6.

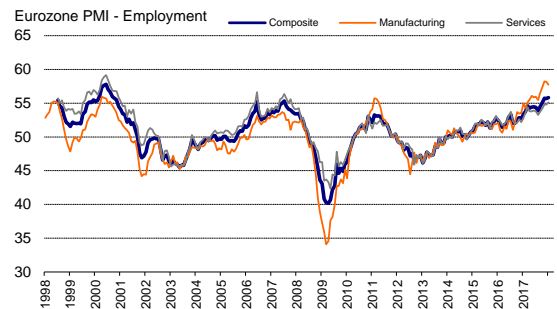
Output



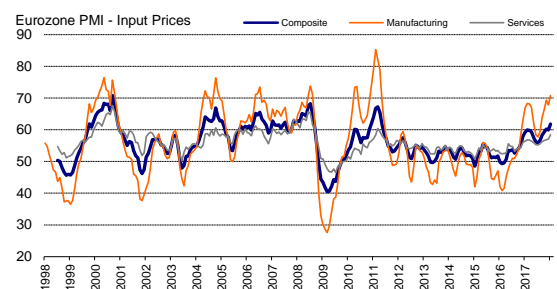
New business



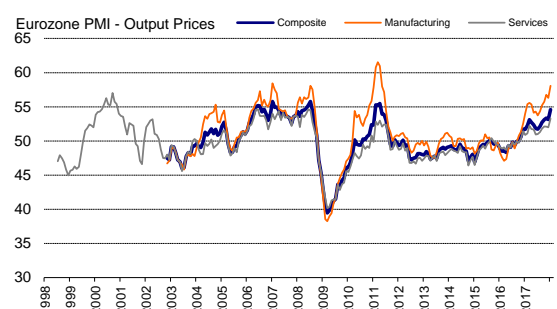
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final January data are published on February 1 for manufacturing and February 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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