

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) September 1st 2017

IHS Markit Eurozone Manufacturing PMI[®] – final data

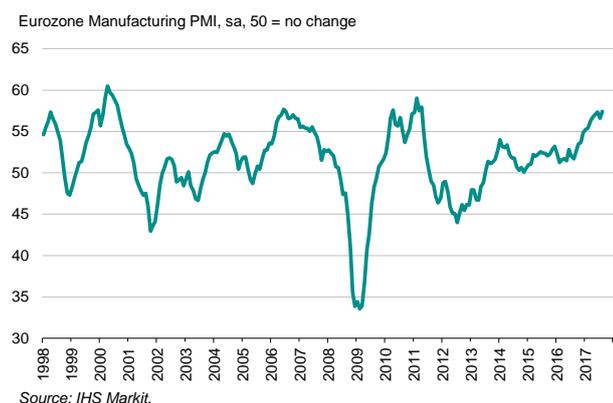
Eurozone manufacturing growth remains among strongest seen since 2011

Key findings:

- Final Eurozone Manufacturing PMI at 57.4 in August (Flash: 57.4, July Final: 56.6)
- Output growth accelerates, boosted by robust domestic demand and rising new export orders
- Broad-based expansion led by solid core of Austria, the Netherlands and Germany

Data collected August 11-23

IHS Markit Eurozone Manufacturing PMI



August saw a strong and accelerated increase in eurozone manufacturing production, as robust demand and rising employment underpinned a solid improvement in overall operating conditions.

The final IHS Markit Eurozone Manufacturing PMI[®] rose to 57.4, up from 56.6 in July and equalling June's 74-month high. The PMI has remained above the 50.0 no-change mark for 50 successive months, with the latest reading unchanged from its earlier flash estimate.

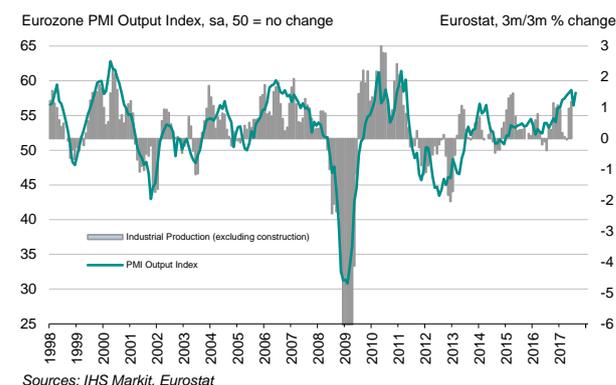
The expansion was led by a strong core of Germany, the Netherlands and Austria. PMI readings for Austria and the Netherlands both hit 78-month highs, while the rate of growth signalled for Germany was among the best registered since early-2011. These

nations also recorded the steepest increases in output and new orders.

The other countries covered by the survey also saw business conditions improve during August. Italy, Ireland and France were mid-ranked in the PMI growth table, with rates of expansion improving across all three. Greece remained at the bottom of the rankings, but nonetheless saw growth accelerate to a nine-year high. Only Spain saw its rate of improvement slow during August.

Countries ranked by Manufacturing PMI: August

Austria	61.1	78-month high
Netherlands	59.7	78-month high
Germany	59.3 (flash: 59.4)	2-month high
Italy	56.3	78-month high
Ireland	56.1	25-month high
France	55.8 (flash: 55.8)	76-month high
Spain	52.4	11-month low
Greece	52.2	108-month high



August saw euro area manufacturing production rise at one of the fastest rates since April 2011, bettered or equalled only by the expansions seen in May and June of this year. The trend in new order inflows also improved, with the rate of expansion similarly among the best since early-2011.

Companies generally reported that domestic market conditions remained robust in August. Growth in new export business also underpinned the rise in new work intakes, with export orders rising at the quickest pace in six-and-a-half years.

Foreign demand improved in all of the nations covered by the survey, including a mild increase in Greece for the first time in a year. Growth of new export business at German manufacturers was the strongest since May 2010. Rates of increase also accelerated in France, Italy, the Netherlands, Austria and Ireland.

The solid upswing in new order intakes exerted pressure on capacity, leading backlogs of work to rise at the third-fastest rate in the series history. This encouraged further job creation, with the rate of growth in staffing levels staying close to May's survey-record high.

Employment rose in all of the nations covered during August. The steepest increases were signalled in Austria, the Netherlands and Germany. However, only Italy, Austria and Greece reported sharper rates of expansion than in the prior month.

Pressure on capacity was also evident at suppliers, as average vendor delivery times lengthened to the greatest extent since April 2011. Companies linked this to rising demand for raw materials and shortages developing for a number of inputs. Further reinforcing this was the trend in purchasing activity at manufacturers, as input buying volumes rose at the steepest pace in over six years.

Price pressures strengthened in August. Input cost inflation accelerated for the first time in six months to the highest since May, while charges also rose at a faster rate than in July. Alongside higher commodity prices, overall input costs also rose due to supply chain pressures.

Finally, euro area manufacturers maintained a positive outlook for the sector during August. Output volumes are expected to be higher in one year's time, with all of the nations covered by the survey

reporting a positive forecast. That said, the degree of business confidence dipped to an eight-month low.

Comment

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

"The eurozone's impressive manufacturing upturn regained momentum in August, with a summer surge in factory activity suggesting rising goods production will support another strong GDP reading in the third quarter.

"The survey indicates that euro area manufacturing output is growing at an annual rate of approximately 4%. Producers across the region are benefitting from rising domestic demand as economic recoveries gain momentum, as well as surging export sales.

"The recent strengthening of the euro may curb export growth from its current six-and-a-half year high, and optimism about the year ahead has cooled since earlier in the summer, notably in France. However, the still-elevated level of confidence suggests that firms generally expect the current strong growth spell has further to run.

"Firms are also struggling to cope with existing demand: backlogs of uncompleted work are rising at the fastest rate for 11 years, and supply chains are being stretched to a degree not seen for over six years. There's therefore a good chance that the record hiring trend will be sustained for some time to come as factories and their suppliers continue to boost capacity.

"Capacity issues are translating into both higher input costs and rising factory gate prices as demand exceeds supply for many products. The key question for policymakers is the extent to which these price pressures will feed through to consumers and wages."

-Ends-

* Including 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 August 2017 flash was based on 88% 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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