

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) August 3rd 2017

IHS Markit Eurozone Composite PMI[®] – final data

Includes IHS Markit Eurozone Services PMI[®]

Eurozone economic growth slows at start of third quarter

Key findings:

- Final Eurozone Composite Output Index: **55.7** (Flash: 55.8, June Final: 56.3)
- Final Eurozone Services Business Activity Index: **55.4** (Flash: 55.4, June Final: 55.4)

Data collected July 12-26

The eurozone economy made a solid start to the third quarter. Although July saw rates of expansion in business activity and new work moderate, growth in both remained among the best registered over the past six years.

The final **IHS Markit Eurozone PMI[®] Composite Output Index** posted a six-month low of 55.7 in July, down from 56.3 in June and the earlier flash estimate of 55.8. The headline index has signalled expansion throughout the past 49 months.

The expansion was once again broad-based by both sector and nation. July was the second successive month that all of the national manufacturing and service sector surveys covered registered higher levels of output.

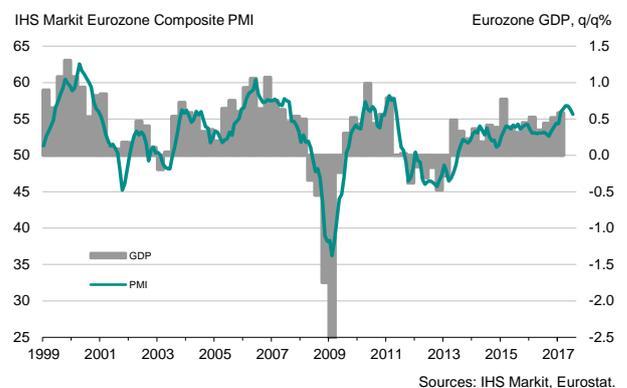
The strongest rates of expansions in overall (combined manufacturing and service sector) output were seen in Ireland and Spain, despite both nations seeing slower growth in July.

Weaker increases were also registered in Germany and France. Italy was the only nation covered to see overall activity rise at a quicker pace, and one of the best achieved over the past decade.

Growth of euro area manufacturing output continued to outpace that of service sector activity, despite the rate of increase in production volumes slipping to a six-month low. Growth in services output was unchanged at June's five-month low.

Underpinning the latest rise in economic activity

IHS Markit Eurozone Composite PMI



Countries ranked by output growth*: July

Ireland	57.0	4-month low
Spain	56.7	6-month low
Italy	56.2	3-month high
France	55.6 (flash: 55.7)	6-month low
Germany	54.7 (flash: 55.1)	10-month low

* Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.

was a further solid increase in new business. This in turn tested capacity – as highlighted by backlogs of work rising at one of the fastest rates in the past six years – leading to further job creation.

Recent months have seen the pace of growth in staffing levels hold broadly steady at rates last achieved around a decade ago. July saw job creation accelerate in Germany and Italy, but slow in France, Spain and Ireland.

Companies maintained an optimistic outlook during July. Although the overall degree of optimism eased to a six-month low, it remained above its long-run trend at service providers and close to June's series-record high at manufacturers.

Input prices and output charges continued to rise in

July. However, rates of increase eased to eight- and six-month lows respectively.

Services

July saw the solid upturn in the eurozone service sector continue, as companies reported increases in business activity, new orders and employment.

At 55.4 in July, unchanged from the earlier flash estimate, the final **IHS Markit Eurozone PMI® Services Business Activity Index** signalled that output has now expanded throughout the past four years. Although the rate of growth was identical to June's five-month low, it remained above the long-run average and among the best registered over the past six years.

All of the nations covered by the survey signalled increases in both business activity and new orders during July. Ireland saw the fastest increases in both, with rates of expansion recovering most of the momentum lost in June.

Italy also saw output and new business rise at quicker rates. Activity expanded at the sharpest pace in nearly ten years, underpinned by the strongest intakes of new work since mid-2006.

The expansions in new work and output signalled in Germany, France and Spain were all slower than in the prior survey month. Growth of business activity eased to a ten-month low in Germany, the weakest in six months in France and a two-month low in Spain.

July data signalled that growth of new business at eurozone service providers was slightly quicker than in the prior two months. This tested capacity, leading to a modest increase in backlogs of work.

The combination of rising levels of new orders and outstanding business encouraged job creation. Despite easing slightly in July, the trend in staff hiring in recent months has been the best seen during the past decade. Jobs growth improved in Germany, Italy and Ireland, but slowed in France and Spain.

July data signalled little change in price pressures, with rates of input cost and output charge inflation

similar to those seen in the prior survey month. Service charges rose in Germany, Spain and Ireland, but fell in France and Italy.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"The surveys indicated a slight cooling in the pace of growth in July, but this is still an encouragingly upbeat picture of business conditions. The elevated PMI reading puts the eurozone economy on course for another strong quarter, the data being historically consistent with a very respectable 0.6% qr/qr increase in GDP."

"Of the four largest euro members, only Italy recorded faster growth in July, pushing the PMI into territory consistent with 0.5% quarterly GDP growth. Spain nevertheless continued to record the strongest overall expansion, with the PMI indicative of 0.9% growth."

"The slowdown in Germany meant it registered the weakest increase in activity of the four largest euro countries for the first time in over 12 years, though the ten-month low PMI reading still points to a 0.4-0.5% GDP growth rate."

"A loss of momentum in France also pushes the PMI down to a level broadly consistent with 0.4-0.5% growth."

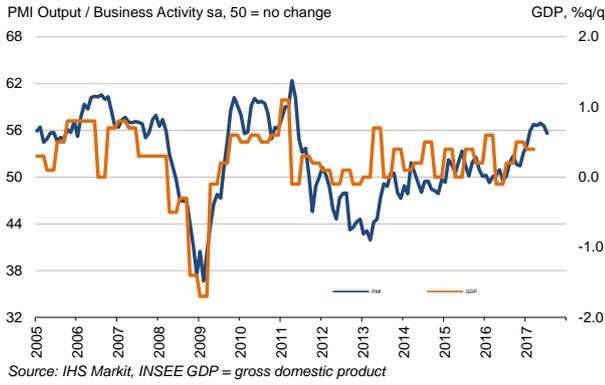
"While all countries continued to see ongoing robust growth as we move into the second half of 2017, the overall slowing in the rate of expansion will add a note of caution to ECB policymaking, though the underlying message is likely to be one of guarded optimism about the outlook."

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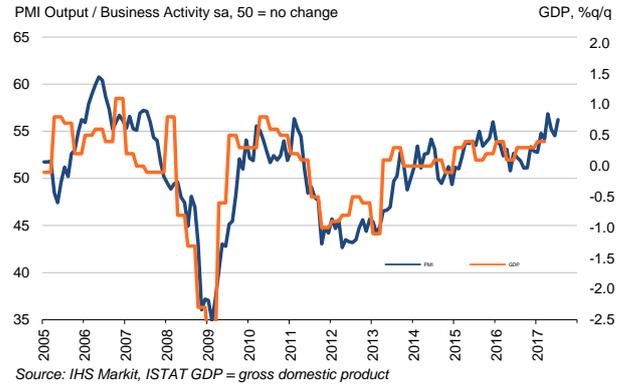
** [Click here](#) for further details of using the PMI to measure GDP in advance.

† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

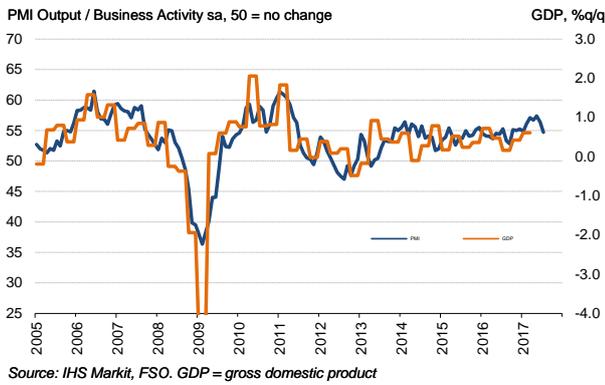
France



Italy



Germany



Spain



For further information, please contact:

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email chris.williamson@ihsmarkit.com

Rob Dobson, Director
Telephone +44-1491-461-095
Mobile +44-7826-913-863
Email rob.dobson@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

The Eurozone Composite *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 manufacturing and services firms. 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 Eurozone Services *PMI* (*Purchasing Managers' Index*) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite *PMI* and Services *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The July composite flash was based on 87% of the replies used in the final data. The July services flash was based on 82% of the replies used in the final data. **Data were collected 12-26 July.**

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 <i>PMI</i>	0.0	0.2
Eurozone Services Business Activity <i>PMI</i>	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.

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