

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) August 3rd 2018

IHS Markit Eurozone Composite PMI[®] – final data

Includes IHS Markit Eurozone Services PMI[®]

Euro area economic growth slows at start of third quarter

Key findings:

- Final Eurozone Composite Output Index: **54.3** (Flash: 54.3, June Final: 54.9)
- Final Eurozone Services Business Activity Index: **54.2** (Flash: 54.4, June Final: 55.2)

Data collected July 12-26

The pace of euro area economic expansion eased in July, ceding most of the momentum gained in the prior survey month. At 54.3, the final **IHS Markit Eurozone PMI[®] Composite Output Index** was down from 54.9 in June and unchanged from the earlier flash estimate.

The slowdown was mainly centered on the service sector, where growth eased from June's four-month high. Manufacturing production rose at a slightly faster pace that was broadly similar to that signalled for services activity.

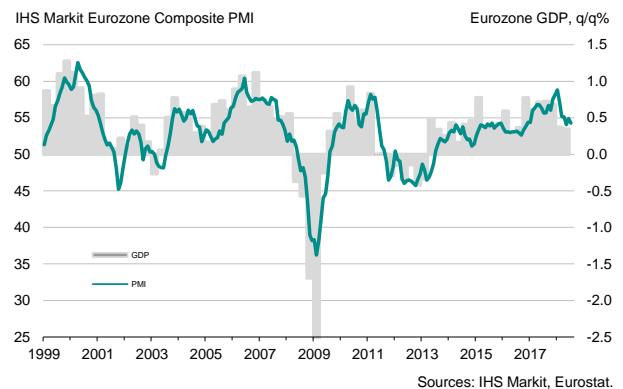
National PMI data pointed to a broad-based expansion of economic output, with growth registered in all of the countries covered by the survey. The rate of increase in Germany improved to a four-month high, whereas growth slowed in France (two-month low), Italy (two-month low), Spain (56-month low) and Ireland (four-month low).

The principal factor underlying slower output growth was a weaker expansion in new work received. New business growth was the second-slowest in over one-and-a-half years. Only Germany saw its rate of expansion improve.

Alongside weaker growth of new order intakes, reduced optimism about future business performance also contributed to the generally subdued picture. Although companies continued to forecast that economic activity would (on average) be higher in one year's time, the overall degree of

positivity dipped to a 20-month low. Confidence improved slightly in Germany and France, but dipped in Italy, Spain and Ireland.

IHS Markit Eurozone Composite PMI



Countries ranked by output growth*: July

Ireland	56.8	4-month low
Germany	55.0 (flash: 55.2)	4-month high
France	54.4 (flash: 54.5)	2-month low
Italy	53.0	2-month low
Spain	52.7	56-month low

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

Employment increased again in July, with the rate of job creation remaining solid (albeit slower than in June). Robust increases were signalled in both manufacturing and services. Germany, France, Spain and Ireland all saw marked increases. Although Italy registered slightly stronger job creation than in June, it was still subdued compared to the other nations covered.

July saw a modest easing in price pressures. That said, rates of inflation in output charges and input costs remained elevated and above their respective long-run averages. Input price rises were linked to rising fuel and other oil-related cost increases, which a number of companies passed on to their clients.

Services

The final **IHS Markit Eurozone PMI® Services Business Activity Index** posted 54.2 in July, down from June's four-month high of 55.2 and below the earlier flash estimate of 54.4. It was the second-lowest reading during the past year-and-a-half.

National PMI data signalled that the upturn remained broad-based, with all of the countries covered seeing services output rise. However, all saw their rates of expansion lose momentum, with growth at two-month lows in Germany, France and Italy, a 56-month low in Spain and the weakest in four months in Ireland.

The slowdown in the rate of activity growth reflected a tandem easing in the pace of expansion of new order intakes, which increased at the second-weakest pace in the past 18 months. A decrease in the level of business confidence, to its lowest since November 2016, also added to the more downbeat picture.

Service sector employment increased for the forty-fifth successive month in July. Despite easing slightly, the rate of job creation remained robust and above its long-run average. Part of the expansion reflected rising backlogs of work.

Staffing levels were raised in all of the nations covered by the survey, with rates of expansion accelerating in Italy and Ireland but easing in France and Spain. The pace of increase in Germany was unchanged from June.

Input price inflation remained elevated in July. Although slower than in the prior survey month, the rate of increase was among the highest seen over the past seven years. Companies reported higher fuel and staff costs. Part of the increase in input prices was passed on to clients, leading to a further solid rise in output charges. Selling prices increased in Germany, France, Spain and Ireland, but fell in Italy.

Comment

Rob Dobson, Director at IHS Markit said:

"The final PMI numbers confirm the euro area economy started quarter three on a softer footing. July saw rates of expansion in both output and new orders cede the momentum recaptured in the prior survey month, returning to a picture of sliding growth rates seen through much of the year-to-date.

"If the headline index continues to track at its current level, quarterly GDP growth over the third quarter as a whole would be little-changed from the softer-than-expected expansion of 0.3% signalled by official Eurostat data for quarter two.

"The outlook seems to be turning into a straight choice between the upturn being sustained at its current subdued pace or rising headwinds reining in growth further during the months ahead. On this front, downside risks are more prevalent, as the slower expansion in new order inflows during July was partnered by a tandem dip in business optimism to a 20-month low. Both are reflecting the uncertainty about global market conditions, especially given the ongoing rhetoric about trade wars and the potential spillover effects to the broader economy and to manufacturing in particular.

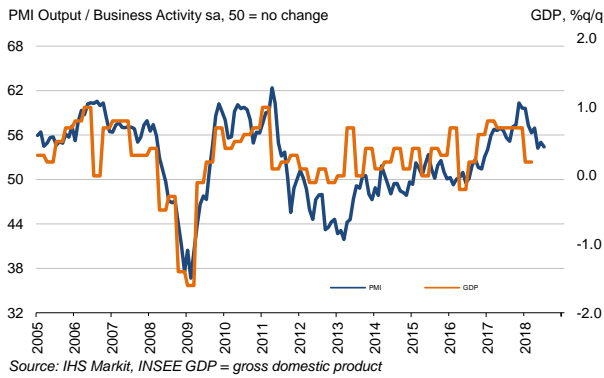
"Improved domestic demand may offset some of this in the near-term, but will need to strengthen further if it is to maintain that role. The faster growth seen in Germany, if sustained, should also help in this regard, especially if it can aid in reversing the weaker expansions seen in its eurozone partners such as France, Italy and Spain during July. However, given rising signs of slowdown and the current uncertain outlook, the ECB will likely maintain its cautious approach to policy at present."

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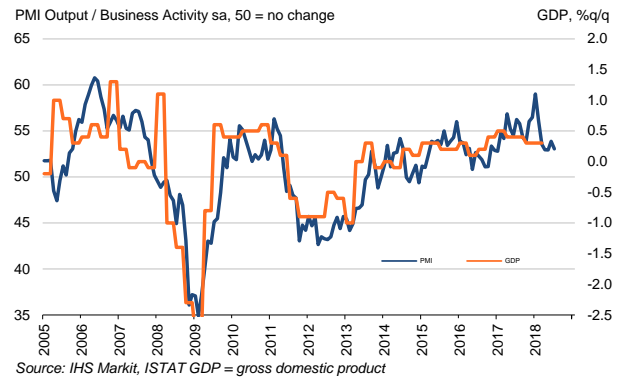
** [Click here](#) for further details of using the PMI to measure GDP in advance.

† 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.

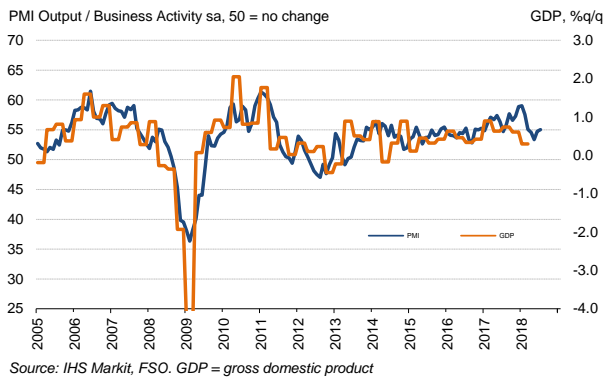
France



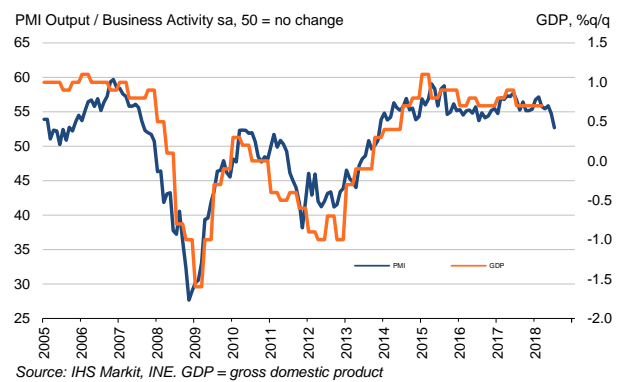
Italy



Germany



Spain



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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 81% 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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About PMI

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