

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) September 23 2016

Markit Flash Eurozone PMI®

Eurozone economic growth at 20-month low in September

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 52.6 (52.9 in August). 20-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.1 (52.8 in August). 21-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 52.6 (51.7 in August). 3-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 54.0 (53.3 in August). 9-month high.

Data collected September 12-22

The end of the third quarter saw a further easing in the rate of eurozone economic expansion. September saw combined output across the manufacturing and service sectors rise at the slowest pace since January 2015.

The flash estimate of Markit's Eurozone PMI® Composite Output Index slipped to 52.6, down from 52.9 in August, a 20-month low. The average index reading over the third quarter (52.9) is below that of quarter two (53.1), also suggesting that the economy is losing, rather than gaining, momentum.

Looking beneath the headline figure highlighted contrasting growth trends at manufacturers and service providers. Service sector business activity increased at the weakest rate since the end of 2014, whereas manufacturing production expanded at the quickest pace since December of last year.

Manufacturers benefitted from faster growth of both total new orders (three-month high) and new export business. The gain in new export orders was the steepest in two-and-a-half years.

Service sector order books meanwhile rose at a pace unchanged from August's 19-month low. The outlook for the service economy also weakened, with optimism regarding levels of activity in 12 months' time dipping to a 21-month low.

Markit Eurozone PMI and GDP



By nation, output growth eased to a 16-month low in Germany, mainly reflecting a sharp slowdown in the service sector. France, meanwhile, registered its fastest rate of economic expansion since June 2015, and outperformed Germany for the first time in over four years. Growth at French service providers hit a 15-month high in September, more than offsetting a further stagnation of manufacturing production. The overall rate of expansion outside of the 'big-two' nations moderated to a 21-month low.

The pace of job creation across the currency union also wavered at the end of the third quarter. September saw employee numbers rise at the slowest pace since April, with the rate of increase identical to the average for the current 23-month sequence of expansion. Jobs growth accelerated at manufacturers, but slowed at service providers.

German employment rose at a slightly improved pace compared to August, while staffing levels increased in France following cuts in the prior month. Job creation cooled outside of the 'big-two' nations to its lowest since September 2015.

Inflationary pressures remained relatively muted during September, but showed some tentative

signs of increasing nonetheless. Average costs rose for the sixth month running (and at a faster pace than in August), although the rate of increase was still well below the long-run survey average. Meanwhile, average selling prices rose for the first time in 13 months, but only negligibly.

Comment

Commenting on the flash PMI data, Rob Dobson, Senior Economist at IHS Markit said:

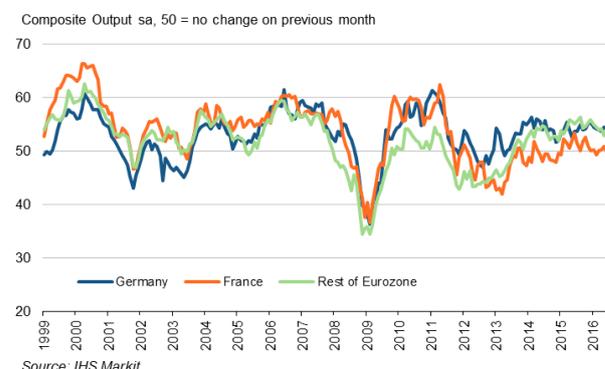
“The eurozone economy ended the third quarter on a disappointing note, with its rate of expansion easing to a 20-month low in September. While the underlying picture remains one of sluggish growth of close to 0.3% over the quarter as a whole, it also remains clear that the economic upturn is still fragile and failing to achieve any real traction. Job creation is wavering as a result, with employment rising at the slowest pace since April.”

“With inflationary pressures also still relatively benign and business confidence at service providers dipping to a 21-month low, the door remains open for policymakers to provide further policy support later in the year if they see economic conditions moderate further.”

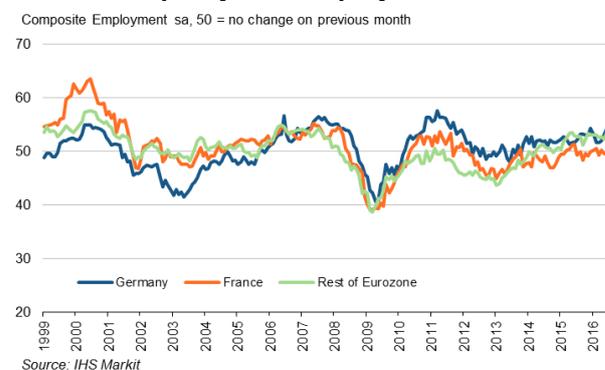
“By nation, the main mover was France, where a robust increase in service sector activity offset the ongoing stagnation in manufacturing. This led the French Composite PMI to rise above its German counterpart for the first time in over four years. However, slower growth in the German powerhouse and elsewhere in the currency union suggest the upturn will remain uneven by country heading into the final quarter.”

-Ends-

Core v. Periphery PMI Output Indices



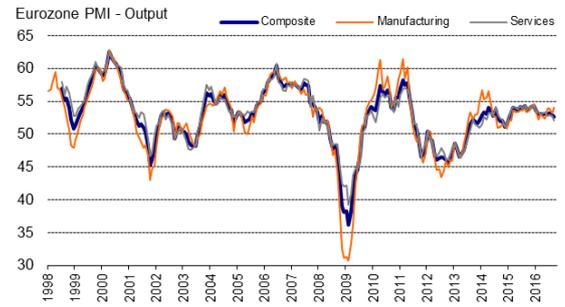
Core v. Periphery PMI Employment Indices



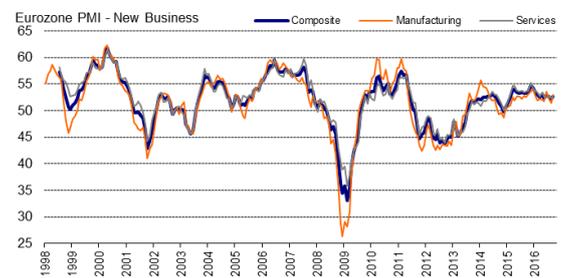
Summary of September data

Output	Composite	Weakest rise in output since January 2015.
	Services	Services expansion at 21-month low.
	Manufacturing	Output growth at nine-month high.
New Orders	Composite	New business growth picks up slightly since August.
	Services	New business growth unchanged from August's 19-month low.
	Manufacturing	New order growth at three-month high.
Backlogs of Work	Composite	Backlogs rise marginally.
	Services	Outstanding business increases fractionally.
	Manufacturing	Backlogs rise at strongest rate in 31 months.
Employment	Composite	Jobs growth weakens to five-month low.
	Services	Slowest job creation since March.
	Manufacturing	Employment rises at faster rate than in August.
Input Prices	Composite	Input price inflation picks up slightly since August.
	Services	Faster increase in costs than in August.
	Manufacturing	Input prices rise for third month running.
Output Prices	Composite	Charges broadly stable in September.
	Services	Charges rise fractionally.
	Manufacturing	Output prices unchanged since August.
PMI⁽³⁾	Manufacturing	PMI rises to 52.6, from 51.7 in August.

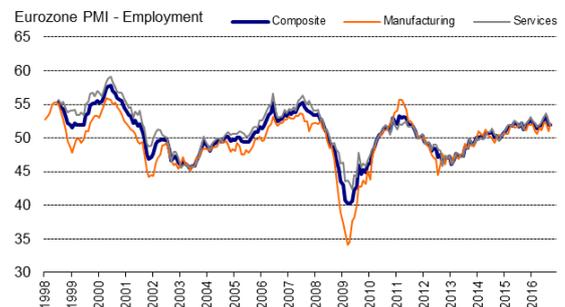
Output



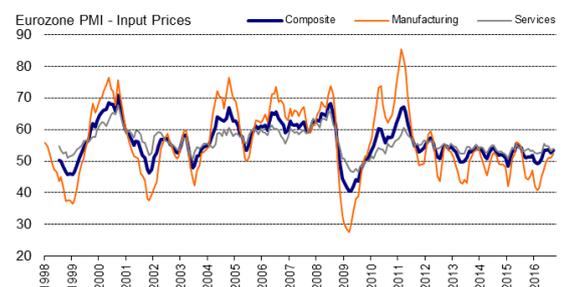
New business



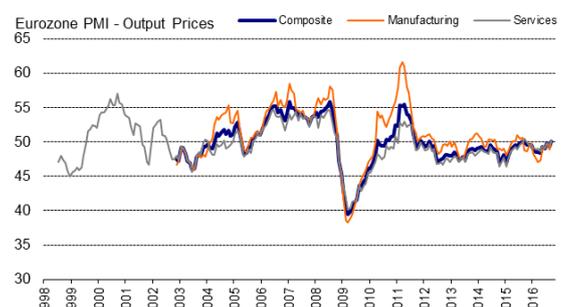
Employment



Input prices



Output prices



Source: IHS Markit.

For further information, please contact:**IHS Markit**

Rob Dobson, Senior Economist
Telephone +44-1491-461-095
Mobile +44-782-691-3863
Email rob.dobson@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

Final September data are published on October 3 for manufacturing and October 5 for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by 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	0.1	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.

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 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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