

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

Eurozone adds jobs at strongest pace in over a decade

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 55.9 (56.7 in September). 2-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 54.9 (55.8 in September). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 58.7 (59.2 in September). 2-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 58.6 (58.1 in September). 80-month high.

Data collected October 12-23

The recent strong growth of the euro area economy was maintained at the start of the final quarter of the year, driven by another marked improvement in new orders. Rising workloads encouraged firms to take on extra staff at the sharpest pace in over a decade.

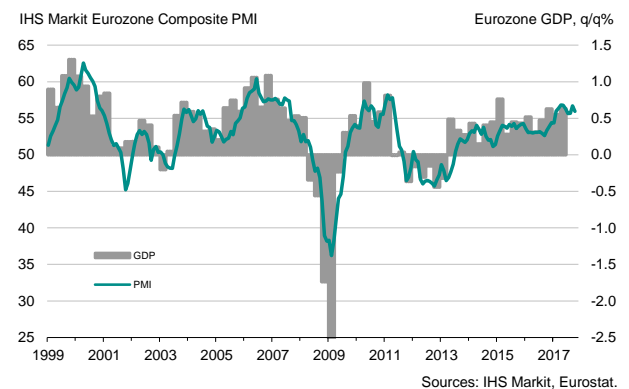
The headline IHS Markit Eurozone PMI posted 55.9 in October, according to the preliminary 'flash' estimate (based on approximately 85% of final replies), down from 56.7 in September.

While output growth eased slightly, it remained sharp and broadly consistent with the trend seen over 2017 so far. Firms were buoyed by further strong new order inflows. In fact, new business increased at the same pace as seen in September.

Output growth in the manufacturing sector continued to outpace that of services, with both seeing slightly weaker rises than in the previous month. Manufacturers also recorded a faster rise in new orders than their service sector counterparts, with the rate of expansion at a four-month high.

The strong performance of manufacturing partly reflected higher new export orders, with export growth picking up from that seen in September.

IHS Markit Eurozone PMI and GDP



A key highlight from the latest survey was a sharp and accelerated rise in employment across the private sector. Moreover, the rate of job creation was the strongest in over a decade. Service providers took on extra staff to the greatest extent in seven months, while manufacturing jobs growth was the strongest since data collection began in June 1997.

Job creation reflected further evidence of pressure on capacity, with backlogs of work increasing solidly again during October. Meanwhile, the manufacturing sector saw suppliers' delivery times lengthen to the greatest extent in 80 months amid pressure on supply chains.

In line with the trend in output, business confidence eased in October following September's four-month high. Reduced optimism was recorded across both the manufacturing and service sectors, although in each case companies remained strongly confident regarding the 12-month outlook for business activity.

Prices

Inflationary pressures continued to build at the start of the fourth quarter. Companies posted the fastest

rise in input costs in six months, with both the manufacturing and service sectors seeing sharper rates of inflation in October.

Further improvements in demand meant that firms were often able to pass rising cost burdens on to their clients. As a result, output price inflation accelerated for the third month running and was the sharpest since June 2011. As was the case with input prices, charges increased at sharper rates across both monitored sectors.

Country details

The big-two eurozone economies of France and Germany drove growth during October, comfortably outperforming the rest of the single-currency area. France posted the sharpest rise in output since May 2011, while growth in Germany remained strong despite easing slightly.

Outside of the big-two, the rate of expansion in business activity was solid, but eased to the weakest for a year. Data showed that the slowdown was linked to weaker service sector growth as manufacturing output increased at the sharpest pace in four months.

More detailed releases for France and Germany are available on the [PMI release webpage](#).

Comment

Commenting on the flash PMI data, Andrew Harker, Associate Director at IHS Markit said:

“The eurozone economy has had a good year so far, and the initial signs are that this has continued at the start of the final quarter of 2017. The PMI signalled a further strong increase in output across the private sector in October.”

“After signalling a 0.7% increase in GDP in Q3, the pace of expansion looks to be staying around this mark as the year draws to a close.”

“Job creation was a key feature of the latest survey as firms took on staff at the quickest pace in over a decade, responding to greater workloads and pressure on capacity. The manufacturing sector once again led the way, posting another record rise in employment.”

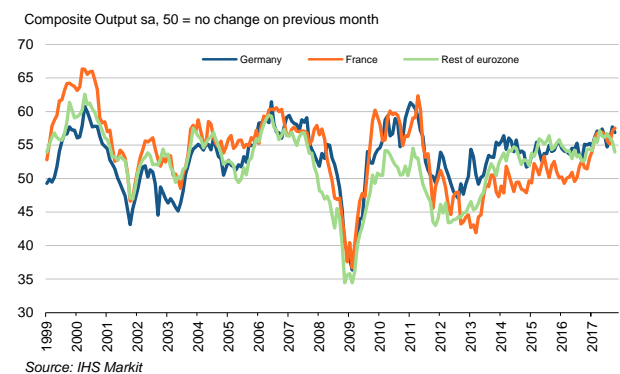
“Firms don’t appear to have been unduly affected by recent euro strength, with growth of new export orders accelerating in October. Healthy demand in export markets appears to be outweighing any negative currency impacts.”

“Capacity pressures acted to push up inflation, with both input costs and output prices rising at faster rates. In fact, the increase in output charges was the sharpest since June 2011.”

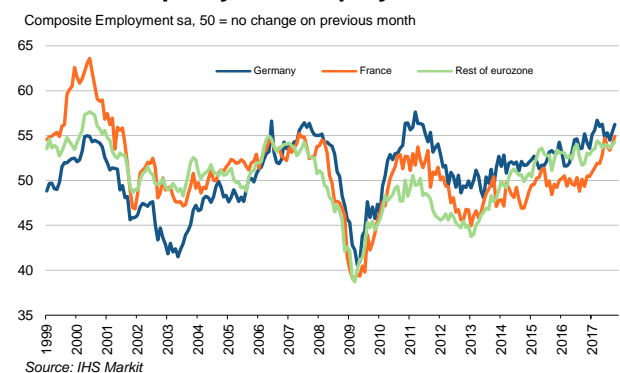
“Later this week, the ECB looks set to announce a scaling back of bond purchases for 2018, a move that would appear to be justified based on this latest set of PMI data.”

-Ends-

Core v. Periphery PMI Output Indices



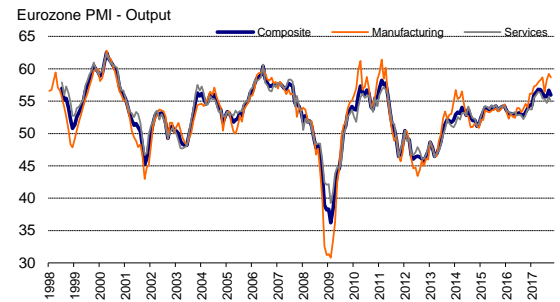
Core v. Periphery PMI Employment Indices



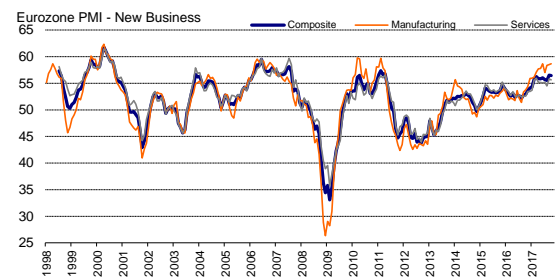
Summary of October data

Output	Composite	Output rises sharply, albeit at slower pace.
	Services	Rate of expansion dips from September.
	Manufacturing	Growth of production eases from recent peak.
New Orders	Composite	New order growth unchanged from September.
	Services	Services new business continues to rise strongly.
	Manufacturing	Slightly faster increase in new orders.
Backlogs of Work	Composite	Solid rise in backlogs.
	Services	Rate of accumulation eases slightly.
	Manufacturing	Further steep growth of outstanding work.
Employment	Composite	Strongest rise in employment in over a decade.
	Services	Job creation at seven-month high.
	Manufacturing	Record increase in employment.
Input Prices	Composite	Faster increase in input prices.
	Services	Services cost inflation continues to gather pace.
	Manufacturing	Sharpest rise in input costs in six months.
Output Prices	Composite	Output price inflation at 76-month high.
	Services	Fastest rise in charges since July 2011.
	Manufacturing	Charge inflation accelerates for third month running.
PMI⁽³⁾	Manufacturing	PMI at 80-month high of 58.6.

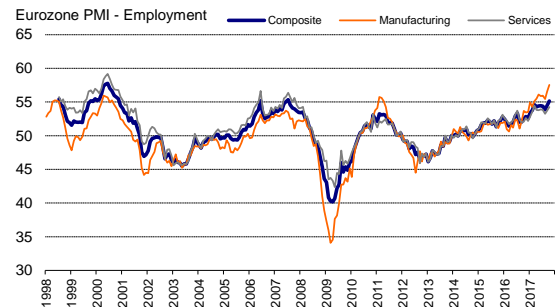
Output



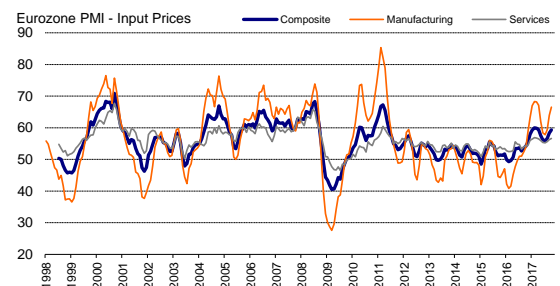
New business



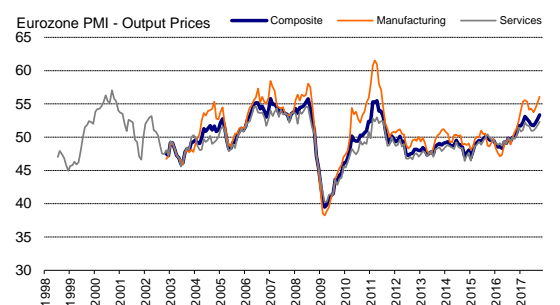
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final October data are published on November 2 for manufacturing and November 6 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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