

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) April 23 2018**

## IHS Markit Flash Eurozone PMI<sup>®</sup>

### Eurozone economy stays in lower gear as PMI holds steady in April

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 55.2 (55.2 in March). Growth unchanged.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 55.0 (54.9 in March). 2-month high.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 55.8 (55.9 in March). 17-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 56.0 (56.6 in March). 14-month low.

Data collected April 12-20

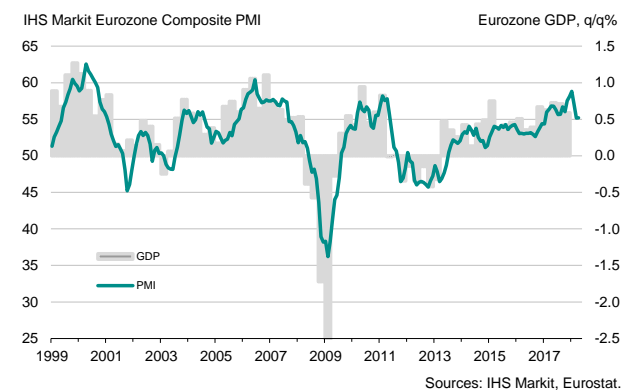
Eurozone business activity continued to rise at a solid pace in April, though the rate of expansion remained considerably weaker than seen earlier in the year amid signs of weaker growth of demand and supply constraints. Slower inflows of new orders, alongside weakened optimism about the business outlook, suggests that growth could slow further in May. Price pressures meanwhile eased during the month from recent elevated levels.

The IHS Markit Eurozone PMI held steady at 55.2 in April, according to flash survey data based on approximately 80% of final responses. The unchanged reading indicated the joint-weakest expansion of business output since the start of 2017, but remained well above the average of 53.8 seen over the past five years.

Manufacturing again led the upturn, albeit with the rate of factory output growth slowing to a 17-month low. Service sector activity meanwhile rose at a rate only marginally faster than March's seven-month low.

Output growth across the two sectors has fallen sharply since an 11-and-a-half year peak at the start of the year, in line with a slowdown in order book growth. Inflows of new orders rose at the weakest rate for 15 months in April.

#### IHS Markit Eurozone PMI and GDP



Factories reported the smallest gains in both total goods orders and export orders for a year-and-a-half during April, the latter in part dampened by the recent strength of the euro, notably against the US dollar. New business inflows in the service sector meanwhile slipped to an eight-month low, adding to signs of a broad-based waning of demand growth both at home and in export markets.

The survey also continued to suggest that supply constraints contributed to the slowdown in output and orders. In manufacturing, supply chain delays remained widespread, with average delivery times once again lengthening to one of the greatest extents seen in the survey's two-decade history. Backlogs of work also continued to rise in both sectors as firms struggled to cope with the influx of new business, in some instances linked to shortages of materials and suitable staff.

Employment rose at an increased rate in April, the pace of job creation running at an elevated rate by historical standards of the survey, albeit below that seen at the turn of the year. In some cases, lower employment was linked to recruitment difficulties. While factory hiring slowed, service sector job

creation hit the highest since October 2007.

Some easing of inflationary pressures from recent elevated levels was reported, as input costs rose at the slowest rate for seven months. Slower growth of costs helped push selling price inflation down to a four-month low. Costs increases remained widespread, however, linked to both higher raw material prices (often in turn associated with demand exceeding supply) and growing staff costs. The latter led to service sector costs rising at an increased rate during the month.

By country, growth picked up slightly in both France and Germany, but in both cases failed to recover to February's levels. France's expansion was consequently the second-weakest in the past eight months while Germany's was the second-lowest in nine months. While manufacturing acted as the main drag in France, it was the service sector that lagged behind in Germany. Elsewhere, growth slowed to an 18-month low, with both manufacturing and services recording weaker expansions.

### Comment

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

*"The Eurozone economy remained stuck in a lower gear in April, with business activity expanding at a rate unchanged on March, which had in turn been the slowest since the start of 2017. Growth has downshifted markedly since the peak at the start of the year, but importantly still remains robust."*

*"The April data are running at a level broadly consistent with Eurozone GDP growth of approximately 0.6% at the start of the second quarter."*

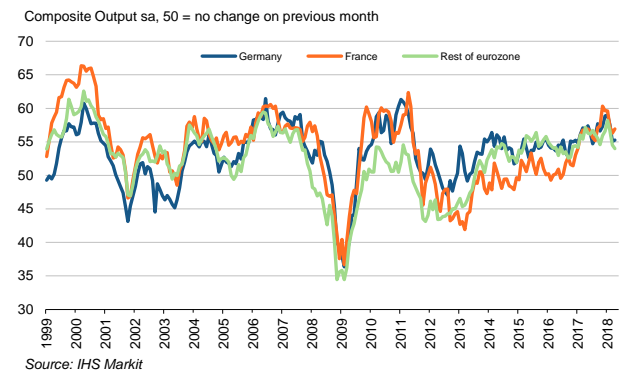
*"The decline in the PMI from January's high is neither surprising nor alarming: such strong growth as that seen at the start of the year rarely persists for long, not least because supply fails to keep up with demand. With recent months seeing record*

*delivery delays for inputs to factories and growing skill shortages, output is clearly being constrained. In France, strikes were also reported to have disrupted growth, and may continue to do so in coming months*

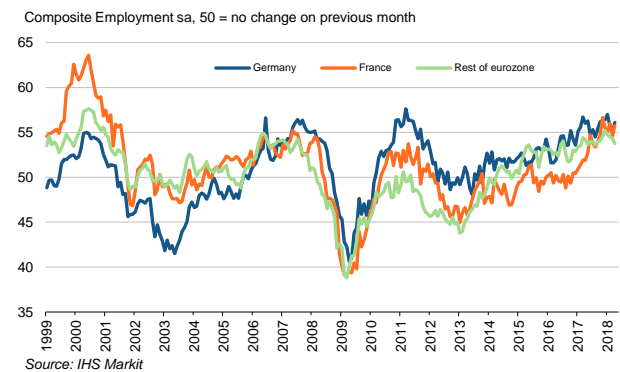
*"However, it's also clear that underlying demand has weakened, in part due to exports being hit by the stronger euro. With companies' future optimism having slipped to the lowest since last year, it looks likely that growth may well slow further in coming months."*

-Ends-

### Core v. Periphery PMI Output Indices



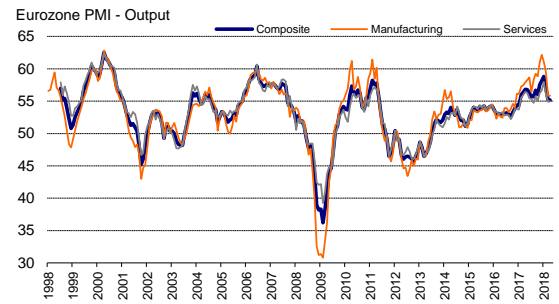
### Core v. Periphery PMI Employment Indices



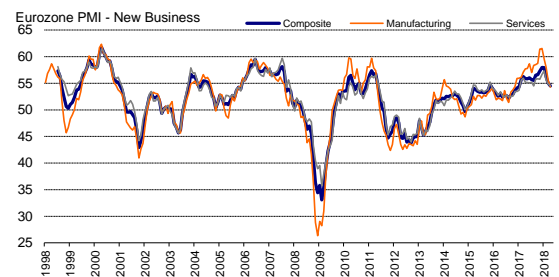
Summary of April data

<b>Output</b>	<b>Composite</b>	<b>Output continues to rise solidly.</b>
	Services	Growth of services activity ticks up.
	Manufacturing	Further marked increase in goods production.
<b>New Orders</b>	<b>Composite</b>	<b>Growth of new orders eases to 15-month low.</b>
	Services	Slowest rise in services new business for eight months.
	Manufacturing	Expansion of new orders weakest for year-and-a-half.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Solid increase in backlogs.</b>
	Services	Outstanding business rises at weaker pace.
	Manufacturing	Further expansion of manufacturing backlogs.
<b>Employment</b>	<b>Composite</b>	<b>Employment growth accelerates.</b>
	Services	Fastest job creation for over a decade.
	Manufacturing	Manufacturing jobs growth at eight-month low.
<b>Input Prices</b>	<b>Composite</b>	<b>Slowest rise in input costs since last September.</b>
	Services	Services cost inflation accelerates.
	Manufacturing	Weakest increase in input costs since last August.
<b>Output Prices</b>	<b>Composite</b>	<b>Solid increase in output prices.</b>
	Services	Output charges rise only modestly.
	Manufacturing	Selling prices up sharply, but at reduced rate.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at 14-month low of 56.0.

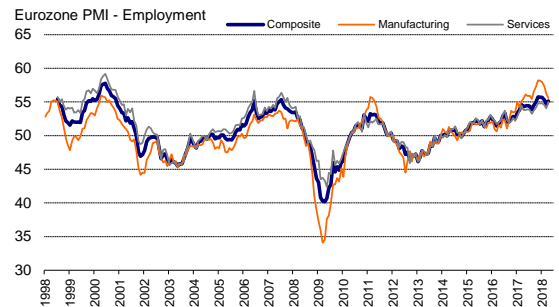
Output



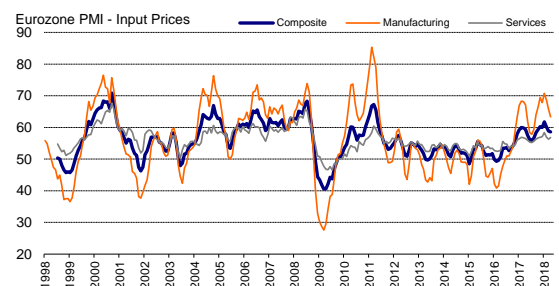
New business



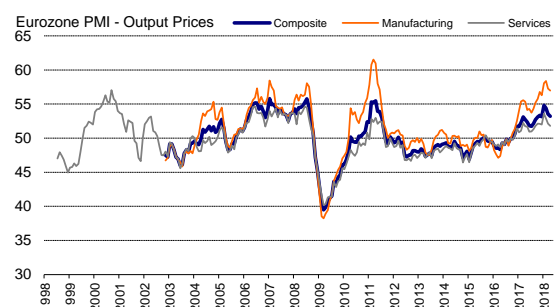
Employment



Input prices



Output prices



Source: IHS Markit.

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

Chris Williamson, Chief Business Economist  
Telephone +44-20-7260-2329  
Mobile +44-779-555-5061  
Email [chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Rob Dobson, Director  
Telephone +44-1491-461-095  
Mobile +44-782-691-3863  
Email [rob.dobson@ihsmarkit.com](mailto:rob.dobson@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44207 260 2234  
E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Note to Editors:**

Final April data are published on May 2 for manufacturing and May 4 for services and composite indicators.

The Eurozone *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) 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 <sup>1</sup>	0.0	0.2
Eurozone Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.0	0.3

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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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