

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

Eurozone growth spurt loses momentum for second month running

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 55.8 (56.3 in June). 6-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 55.4 (55.4 in June). Growth unchanged.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 56.9 (58.7 in June). 6-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 56.8 (57.4 in June). 3-month low.

Data collected July 12-21

The eurozone started the third quarter on a solid footing, according to PMI[®] survey data, though the rate of growth remained slightly below the recent highs in both manufacturing and services and inflationary pressures cooled further.

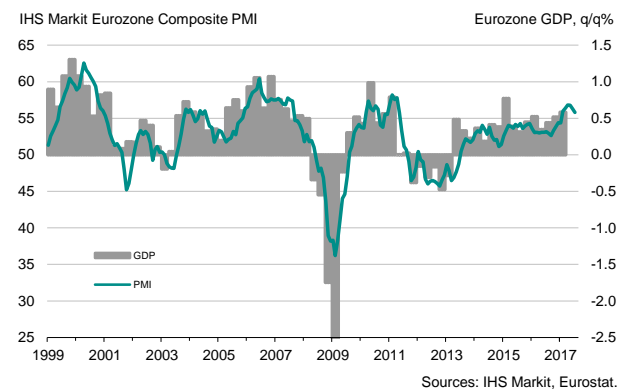
The headline IHS Markit Eurozone PMI fell for a second successive month in July, down from 56.3 in June to a six-month low of 55.8, according to the preliminary 'flash' estimate (based on approximately 85% of final replies).

Despite coming off recent highs, the index remained at an elevated level by historical standards and signalled one of the strongest expansions seen over the past six years.

The upturn was once again broad-based by sector. Manufacturers – buoyed in particular by further robust export order book growth – continued to report stronger output growth than service providers, despite the rate of expansion easing to the weakest since January.

Growth of new orders, backlogs of work and employment all edged lower in July but remained solid. While new orders and backlogs were found to have been rising at rates only modestly below recent six-year peaks, the rate of job creation

IHS Markit Eurozone PMI and GDP



continued to run at one of the highest seen over the past decade. Factories led the job market upturn, reporting the second-highest employment gain on record.

Strong recruitment reflected not only recent steady order book inflows but also ongoing optimism about future business conditions. Sentiment about prospects for the year ahead remained buoyant by historical standards, albeit slipping to the lowest since January.

Survey respondents meanwhile reported that input costs continued to rise, though the rate of inflation cooled further from the five-and-a-half year high seen at the start of the year, driven lower by slower growth of manufacturing costs. The overall rise in input costs was the lowest since last November.

Average prices charged for goods and services rose at a slightly slower pace than the already-modest rate seen in June, the rate of increase slipping to the weakest since January.

Looking at the data by country, strong rates of expansion continued to be seen in France and Germany, though both countries saw growth wane for a second successive month. Both also saw

ongoing impressive employment gains.

Elsewhere, growth perked up, registering the second-largest monthly rise in output in the past decade. Growth was accompanied by further solid employment gains. Although the overall pace of job creation outside of France and Germany slipped slightly to a five-month low, it remained one of the highest seen in the past ten years.

Comment

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

“The July fall in the PMI indicates that the eurozone’s recent growth spurt lost momentum for a second successive month, but still remained impressive.”

“The survey data are historically consistent with GDP rising at a quarterly rate of 0.6%, cooling slightly from a pace of over 0.7% signalled for the second quarter.”

“The slowing pace of economic growth signalled by the surveys and the accompanying easing of price pressures adds to the belief that ECB policymakers will be in no rush to taper policy, and will leave all options open until the central bank sees a clearer picture of the sustainability of the upturn.”

“It’s too early to know for sure whether the economy has merely hit a speed bump or whether the upturn is already starting to fade. The evidence so far points to the former, with the economy hitting bottlenecks due to the speed of the recent upturn.”

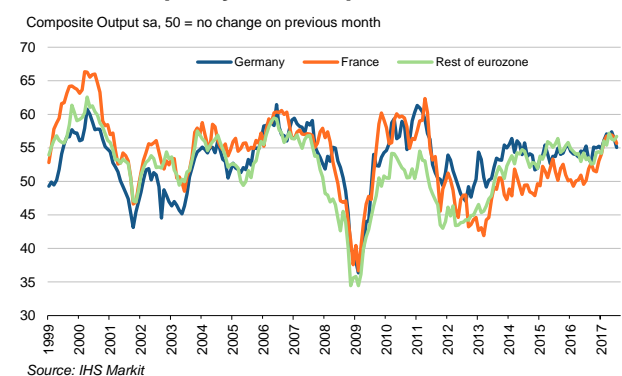
“Forward-looking indicators such as new order inflows remain elevated, suggesting robust growth will be sustained in coming months. Job creation is consequently booming as companies seek to expand capacity in line with growing demand.”

“However, even with employment growing at one of

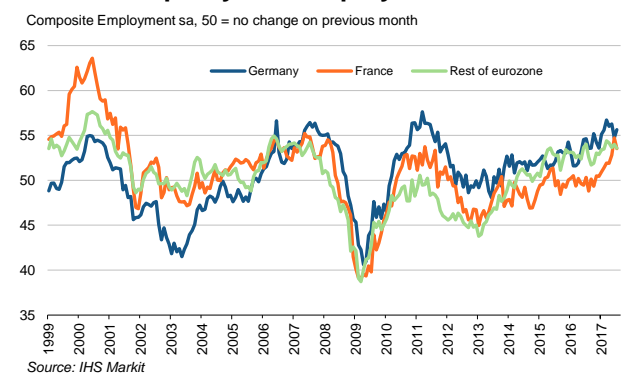
the fastest rates seen over the past decade, the survey is still showing backlogs of uncompleted orders rising at a rate close to a six-year high. Manufacturing suppliers’ lead times also lengthened to the greatest extent for over six years as demand exceeded supply for many inputs. These are symptoms of a booming rather than an ailing economy.”

-Ends-

Core v. Periphery PMI Output Indices



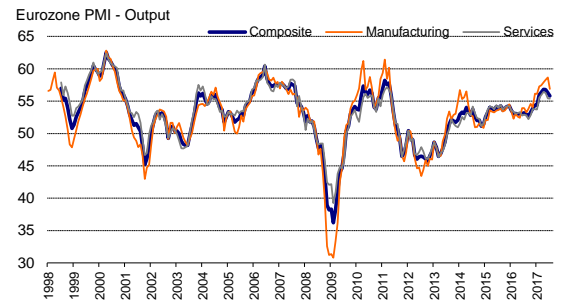
Core v. Periphery PMI Employment Indices



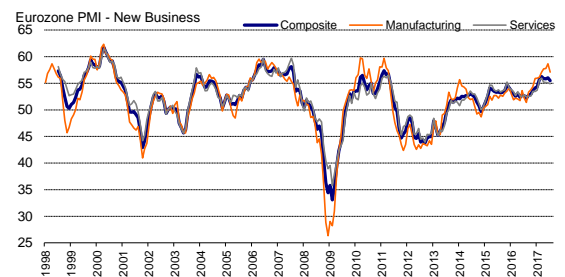
Summary of July data

Output	Composite	Further sharp rise in output.
	Services	Growth of services activity unchanged.
	Manufacturing	Slower, but still strong, increase in production.
New Orders	Composite	New order growth eases.
	Services	Slight slowdown in expansion of new business.
	Manufacturing	Further strong increase in manufacturing new orders.
Backlogs of Work	Composite	Slowest increase in backlogs since February.
	Services	Modest rise in outstanding business.
	Manufacturing	Rate of backlog accumulation unchanged.
Employment	Composite	Rate of job creation remains solid.
	Services	Slight easing in services employment growth.
	Manufacturing	Manufacturing staffing levels rise at faster pace.
Input Prices	Composite	Slowest rise in input costs since last November.
	Services	Further sharp increase in services input prices.
	Manufacturing	Weakest cost inflation in nine months.
Output Prices	Composite	Output prices increase modestly.
	Services	Rate of charge inflation unchanged.
	Manufacturing	Slowest rise in selling prices in year-to-date.
PMI⁽³⁾	Manufacturing	PMI at 3-month low of 56.8.

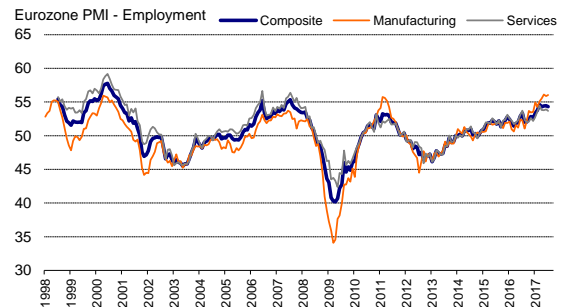
Output



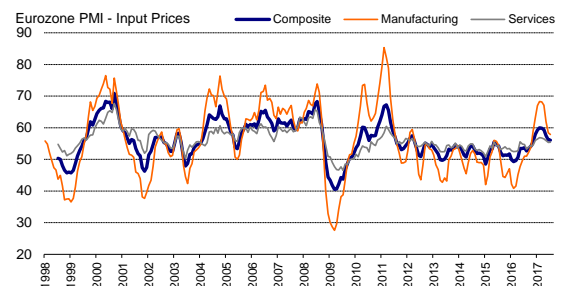
New business



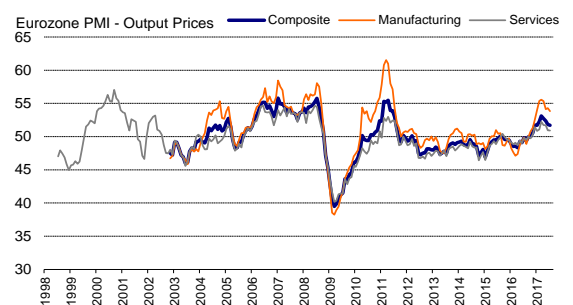
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final July data are published on August 1 for manufacturing and August 3 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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About PMI

Purchasing Managers' Index[®] (*PMI[®]*) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi.

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