

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) February 21 2018

IHS Markit Flash Eurozone PMI[®]

Eurozone growth pulls back from near 12-year high but remains elevated

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 57.5 (58.8 in January). 3-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 56.7 (58.0 in January). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 59.5 (61.1 in January). 4-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 58.5 (59.6 in January). 4-month low.

Data collected February 12-20

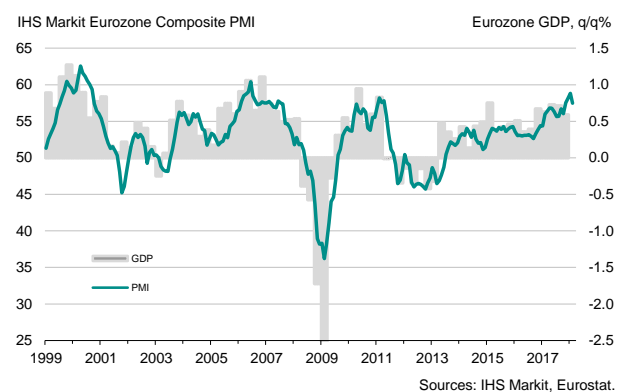
Eurozone business activity continued to rise at a steep pace in February, albeit with the rate of expansion cooling from the near 12-year high recorded in January. Price pressures and employment growth also remained elevated, though likewise saw rates of increase ease slightly. Business optimism about the coming year meanwhile ticked higher.

The headline IHS Markit Eurozone PMI fell from 58.8 in January to 57.5 in February, according to the estimate, which is based on approximately 85% of usual final replies.

The slower growth of business activity reflected an easing in the rate of increase of new orders which, while elevated, slipped to a five-month low.

By country, growth in Germany came in at a three-month low, while in France the composite PMI moderated to the weakest for four months. However, in both cases the PMI readings remained at levels indicative of strong growth, close to recent seven-year highs. Business activity growth meanwhile also slowed across the rest of the eurozone, though still registered the second-largest expansion in nearly 12 years.

IHS Markit Eurozone PMI and GDP



At the eurozone level, the goods-producing sector continued to record a faster pace of expansion than the service sector, though growth of output and new orders slowed in both cases. However, both sectors continued to enjoy the best periods of expansion seen for seven years.

Despite slowing, the sustained growth of new business was sufficiently strong to encourage companies to boost staffing levels to one of the greatest extents seen over the past 17 years. Service sector jobs growth remained at the joint-highest in a decade, while manufacturing payroll growth dipped further from recent 20-year record highs to a five-month low.

Backlogs of work continued to rise, indicating that firms on balance once again lacked sufficient capacity to meet demand. The increase was nonetheless the smallest for six months, reflecting the combination of recent hiring and slower inflows of new work.

Price pressures meanwhile remained elevated. The rate of input cost inflation and selling price inflation remained at levels exceeded only rarely since early-2011, dipping from January's highs.

Higher prices were linked to improved pricing power amid stronger demand as well as incidences of upward salary pressures. The steeper rate of selling price inflation was seen in manufacturing, where average prices charged for goods at the factory gate showed the largest rise since April 2011, though service sector charges also showed the second-largest increase over the same period.

Future prospects meanwhile ticked higher. Companies' optimism about the year ahead perked up for a third successive month to reach the joint-highest since comparable data were available in 2012. A moderation of future expectations in the manufacturing sector was offset by a more upbeat outlook in services.

Comment

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

"February saw the eurozone's growth spurt lose a little momentum, but the rate of expansion remains impressive, putting the region on course for its best quarter for almost 12 years.

"The PMI readings for the first two months of the quarter generally provide a reliable guide to official GDP growth, and indicate that the eurozone economy is expanding at a quarterly rate of 0.9% in the opening quarter of 2018.

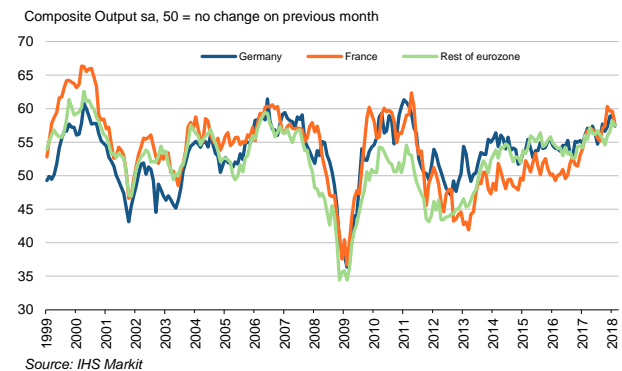
"The service sector is enjoying its best growth spell for seven years and the manufacturing sector's performance remains one of the strongest seen over the 20-year survey history.

"It remains to be seen if growth will continue to slow in coming months. However, a rise in business optimism about the year ahead to a joint-survey high bodes well, suggesting that companies are expecting the slowdown to be short-lived.

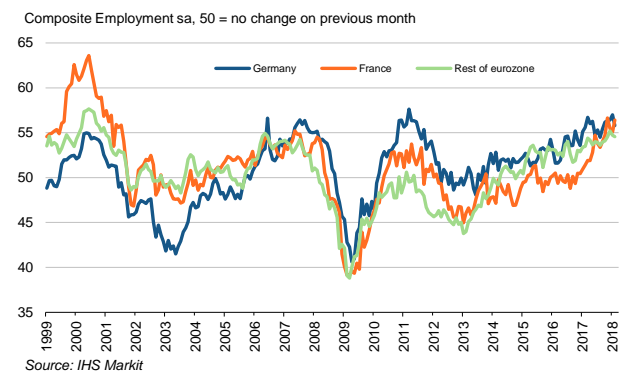
"Price pressures meanwhile remained elevated, in part because stronger demand has enabled more firms to raise their selling prices. However, some comfort can be gleaned from a slight easing in the overall rate of inflation compared to January's recent high."

-Ends-

Core v. Periphery PMI Output Indices



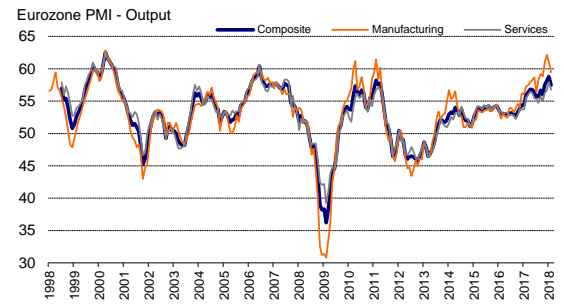
Core v. Periphery PMI Employment Indices



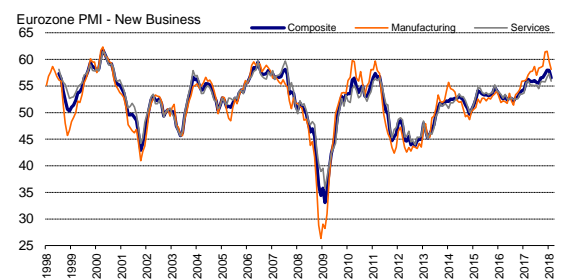
Summary of February data

Output	Composite	Further marked increase in output.
	Services	Growth of services activity remains sharp.
	Manufacturing	Production growth at four-month low.
New Orders	Composite	New order growth eases, but remains sharp.
	Services	Weaker rise in services new business.
	Manufacturing	Strong, but reduced increase in factory new orders.
Backlogs of Work	Composite	Solid increase in backlogs.
	Services	Outstanding business continues to rise.
	Manufacturing	Slowest expansion of work-in-hand for seven months.
Employment	Composite	Steep increase in employment.
	Services	Rate of job creation remains elevated.
	Manufacturing	Staffing levels rise at slower pace, albeit still sharply.
Input Prices	Composite	Cost inflation ticks down.
	Services	Slower rise in input costs.
	Manufacturing	Input costs increase sharply again.
Output Prices	Composite	Further rise in output prices.
	Services	Charges continue to increase solidly.
	Manufacturing	Selling price inflation at near seven-year high.
PMI⁽³⁾	Manufacturing	PMI at four-month low of 58.5.

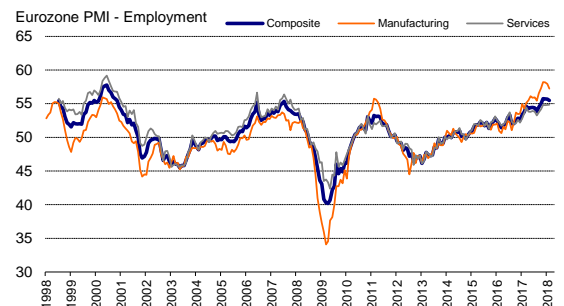
Output



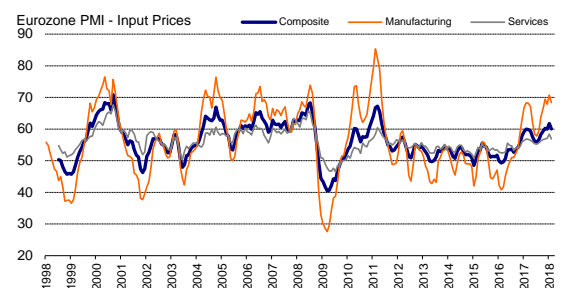
New business



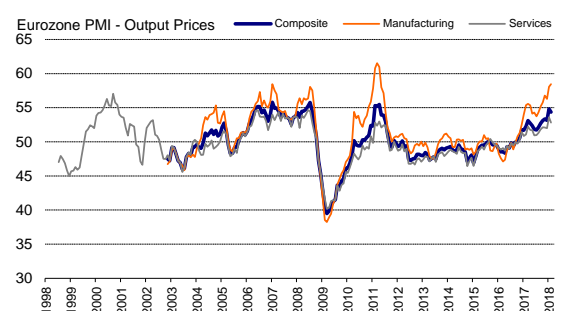
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final February data are published on March 1 for manufacturing and March 5 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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