

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

Eurozone growth holds steady at six-year high in May

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 56.8 (56.8 in April). Rate of growth unchanged.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 56.2 (56.4 in April). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 58.4 (57.9 in April). 73-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 57.0 (56.7 in April). 73-month high.

Data collected May 12-22

Eurozone economic growth continued to run at its fastest for six years in May, according to *PMI*[®] survey data. Job creation also perked up to one of the strongest recorded over the past decade amid improved optimism about future prospects. Price pressures meanwhile remained elevated, albeit with some easing in input cost inflation.

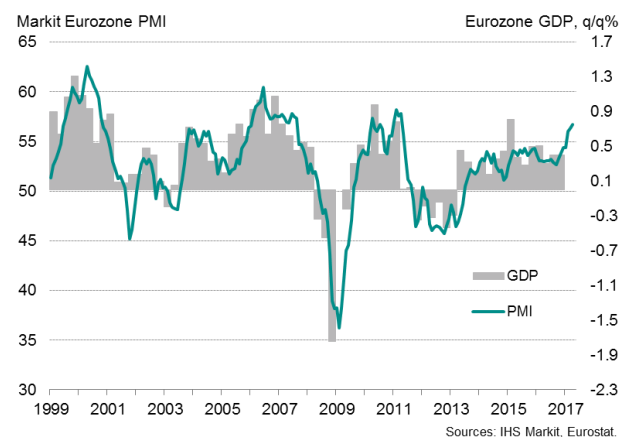
The IHS Markit Eurozone PMI held steady at 56.8 in May, unchanged on April's six-year high, according to the preliminary 'flash' estimate (based on approximately 85% of final replies).

Business optimism about the year ahead meanwhile revived to the joint-highest in the five-year history of the survey's future output question.

Manufacturing led the upturn, with output growth accelerating to the fastest in over six years. Service sector business activity growth also remained strong, easing only marginally from April's six-year peak to underscore the broad-based nature of the upturn.

Overall new order growth waned slightly to the weakest in four months, linked to a mild moderation of inflows of new business into the service sector (albeit with growth still close to a six-year high). Manufacturers enjoyed a boost from exports* rising

IHS Markit Eurozone PMI and GDP



at the steepest rate since April 2011.

With backlogs of work across the two sectors registering the second-largest rise in six years, firms again took on staff at a pace rarely seen in the survey's history in order to expand operating capacity. The overall rise in employment was the second-largest since August 2007, with manufacturing adding jobs at the steepest rate in the survey's 20-year history. Service sector job gains matched those seen in April, sustaining the best spell of employment growth that the tertiary sector has enjoyed since early-2008.

The upturn continued to be accompanied by strong price pressures. Average selling prices for goods and services rose at the second-fastest rate since July 2011, the increase falling just shy of March's recent peak. However, a mild easing in input cost inflation to a five-month low suggests some pressure may come off selling prices in coming months.

Faster expansions in France and Germany

Similar robust business activity growth was

recorded in both France and Germany, the former enjoying the slightly faster pace of expansion. French businesses reported the steepest rate of increase since May 2011 while German firms reported the best gain since April 2011. Growth eased across the rest of the single currency area but remained close to a ten-year high.

* *The Flash Eurozone New Export Orders Index is a weighted average of export orders data collected from individual national PMI surveys and, as such, includes intra-eurozone trade.*

Comment

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

“The PMI data indicate that eurozone growth remained impressively strong in May. Business activity is expanding at its fastest rate for six years so far in the second quarter, consistent with 0.6-0.7% GDP growth. The consensus forecast of 0.4% second quarter growth could well prove overly pessimistic if the PMI holds its elevated level in June.

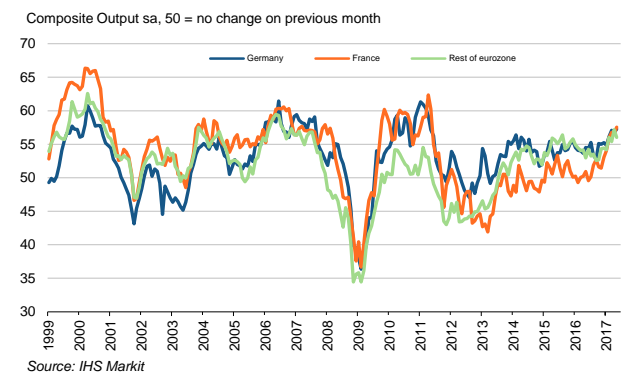
“Capacity is being strained by the strength of demand, with backlogs of work showing one of the largest increases in the past six years. Job creation has surged to the second-highest rate in nearly a decade as firms seek to expand capacity and meet rising demand.

“Although selling prices have continued to march higher, there are signs of input cost pressures beginning to ease. This suggests underlying inflationary forces could moderate as we move into the second half of the year, playing into the ECB’s hands.

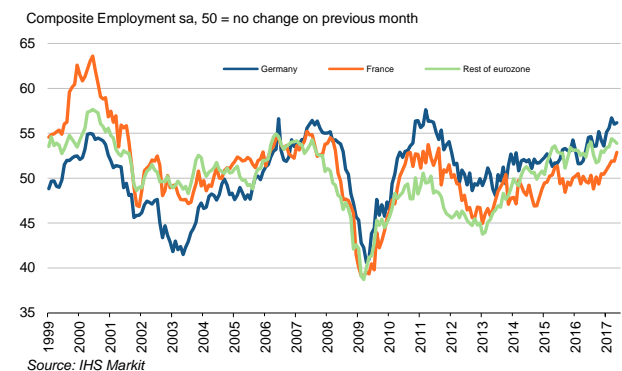
“Although the pace of economic growth signalled by the PMI is historically consistent with the ECB taking a hawkish stance, the dip in cost pressures will add weight to arguments that there’s no rush to taper policy.”

-Ends-

Core v. Periphery PMI Output Indices



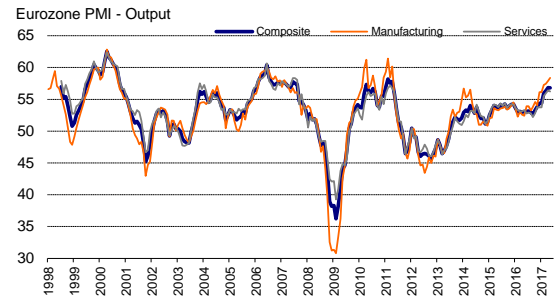
Core v. Periphery PMI Employment Indices



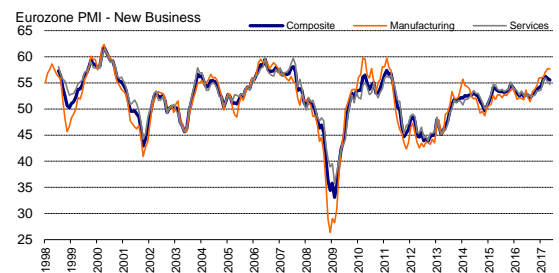
Summary of May data

Output	Composite	Growth unchanged from April's six-year high.
	Services	Slight slowdown in pace of expansion in services activity.
	Manufacturing	Fastest rise in production since April 2011.
New Orders	Composite	Slowest increase in new orders since January.
	Services	Solid, but weaker, rise in services new business.
	Manufacturing	Rate of expansion in new orders unchanged.
Backlogs of Work	Composite	Faster increase in backlogs.
	Services	Solid accumulation of outstanding business.
	Manufacturing	Fastest rise in backlogs since April 2010.
Employment	Composite	Rate of job creation picks up.
	Services	Solid increase in services staffing levels.
	Manufacturing	Record rise in manufacturing employment.
Input Prices	Composite	Slowest increase in cost burdens in year-to-date.
	Services	Rate of cost inflation ticks down.
	Manufacturing	Input prices rise at much slower pace.
Output Prices	Composite	Solid rise in output prices.
	Services	Charge inflation at 70-month high.
	Manufacturing	Slower increase in selling prices.
PMI⁽³⁾	Manufacturing	PMI at 73-month high of 57.0.

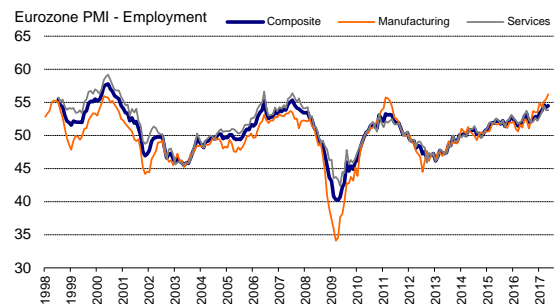
Output



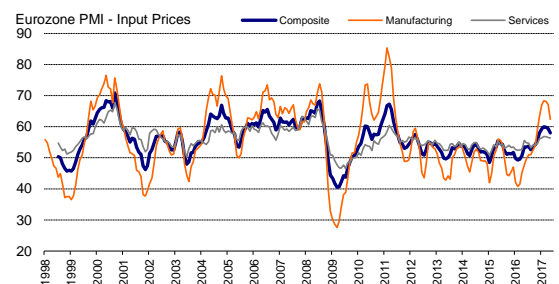
New business



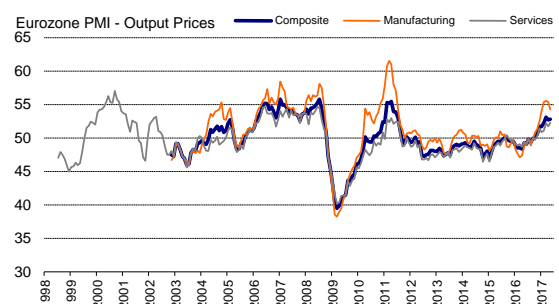
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final May data are published on June 1 for manufacturing and June 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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Purchasing Managers' Index[®] (*PMI[®]*) surveys are now available for over 30 countries (PMI[®]) 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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