

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Eurozone Composite PMI[®] – final data

Includes IHS Markit Eurozone Services PMI[®]

Eurozone economic growth nears 12-year high in January

Key findings:

- Final Eurozone Composite Output Index: **58.8** (Flash: 58.6, December Final: 58.1)
- Final Eurozone Services Business Activity Index: **58.0** (Flash: 57.6, December Final: 56.6)

Data collected January 12-26

The start of 2018 saw the eurozone economy continue its recent advance. Output growth accelerated to a near 12-year high, underpinned by solid inflows of new business and accompanied by the strongest phase of job creation since late-2000.

The final **IHS Markit Eurozone PMI[®] Composite Output Index** posted 58.8 in January, its highest level since June 2006 and above the earlier flash estimate of 58.6. The headline index has signalled expansion for 55 successive months.

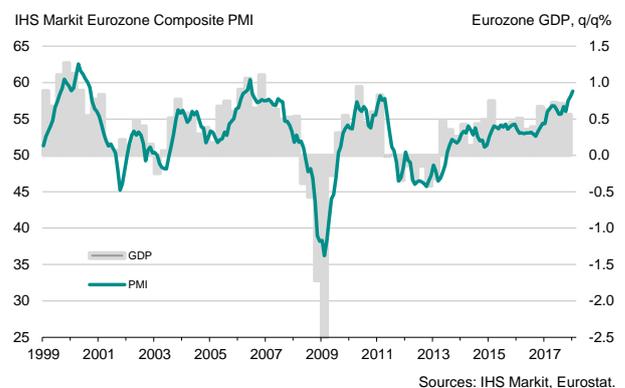
Growth of manufacturing production continued to outpace that of service sector activity in January. Although easing over the month, the rate of expansion in manufacturing output stayed close to December's near-record high. The performance of the service sector continued to strengthen, with business activity growth accelerating to its best since August 2007.

Economic output expanded at solid rates across the nations covered by the survey. France moved to the top of the growth rankings, with its rate of expansion matching December and staying close to November's near six-and-a-half year record.

Germany (81-month high), Italy (139-month high) and Ireland (2-month low) achieved rates of growth only slightly below that of France. Growth in Spain also accelerated to a six-month high.

The corollary of the sustained period of economic improvement was greater price pressures, in part

IHS Markit Eurozone Composite PMI



Countries ranked by output growth*: January

France	59.6 (flash: 59.7)	Unchanged
Germany	59.0 (flash: 58.8)	81-month high
Italy	59.0	139-month high
Ireland	59.0	2-month low
Spain	56.7	6-month high

* Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.

reflecting improved pricing power as demand outpaced supply, as well as rising oil prices. Input costs and output charges both rose at the sharpest rates since mid-2011, with accelerations signalled in both the manufacturing and service sectors.

The sustained upturn in economic activity also tested capacity at euro area manufacturers and service providers alike, leading to further accumulation of backlogs of work in both sectors. This in turn encouraged job creation, with employment again rising at a pace matching November's 17-year high. Germany saw faster jobs growth (a near series-record high), offsetting slightly slower increases in France, Italy, Spain and Ireland. The outlook for the eurozone economy also remained bright, with business confidence improving to an eight-month high.

Services

At a near ten-and-a-half year high of 58.0 in January, the final **IHS Markit Eurozone PMI® Services Business Activity Index** signalled a marked increase in output and came in above the earlier flash estimate of 57.6.

The upward revision in the headline index mainly reflected stronger contributions from Germany and (on average) those nations outside of the 'big-two'. The rate of expansion for Germany was the best since March 2011.

Growth also improved in Italy and Spain (to 126 and six-month highs respectively), but eased in Ireland. Although the rate of expansion in France was slightly below that signalled by the earlier flash estimate, it was still faster than in December and one of the sharpest registered since mid-2011.

The level of new business placed with euro area service providers rose at the quickest pace in over a decade in January. This exerted pressure on capacity, leading to a further solid increase in outstanding business. This combination of higher new orders and rising backlogs of work encouraged firms to take on additional staff.

Employment rose at an identical pace to November and December, making the recent phase of jobs growth the strongest seen in a decade. The latest survey month saw further increases in all of the nations covered. Faster job creation in Germany and Spain was offset by slower rates of expansion in France, Italy and Ireland.

Companies maintained a positive outlook in January. The overall degree of optimism was the second-highest in almost seven years, bettered only during this sequence by May of last year. Sentiment improved in Italy, Spain and Ireland.

Input price inflation hit an 81-month high in January. The intensification reflected stronger increases in Germany, France and Spain, although rates of increase remained marked elsewhere too. Output charges, meanwhile, rose to the greatest extent in nine-and-a-half years. Concurrent rises in selling prices were seen across all of the nations covered for the first time since July 2008.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"At 58.8, the final Eurozone PMI for January came in even higher than the earlier flash estimate, registering the strongest monthly expansion since June 2006.

"If this level is maintained over February and March, the PMI is indicating that first quarter GDP would rise by approximately 1.0% quarter-on-quarter.

"The official initial estimate of GDP is likely to come out weaker than this, however, following the trend of recent GDP releases which show early growth estimates to be subsequently revised higher (and more in line with the PMI).

"For the same reason, the 0.6% GDP rise signalled by Eurostat's preliminary flash estimate for the fourth quarter of 2017 is likely to be revised higher to approach the 0.8% indicated by the PMI.

"The strong upturn is also broad-based, which adds to the potential for the growth to become more self-sustaining as demand rises across the single currency area, feeding through to higher job creation as spare capacity is increasingly eroded.

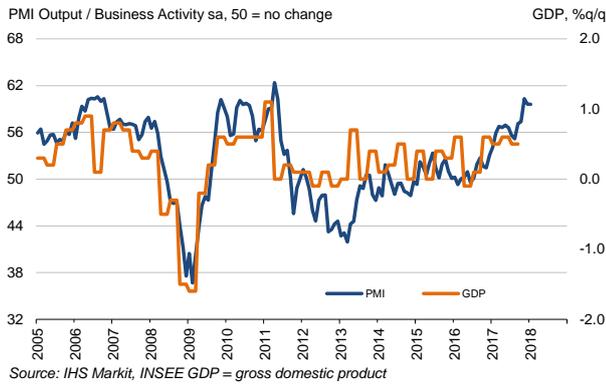
"The survey data are therefore indicating that the eurozone has started 2018 with very good growth momentum, and that price pressures are building commensurately. If such impressive numbers continue to be seen in coming months, expect policymakers to sound increasingly hawkish."

-Ends-

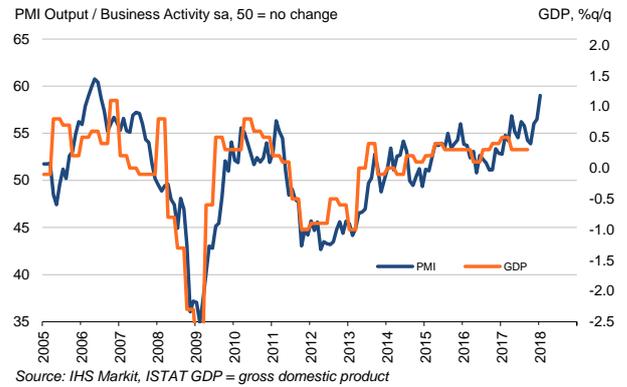
** [Click here](#) for further details of using the PMI to measure GDP in advance.

† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

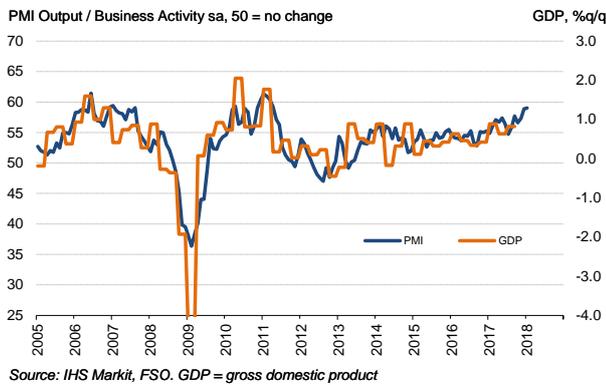
France



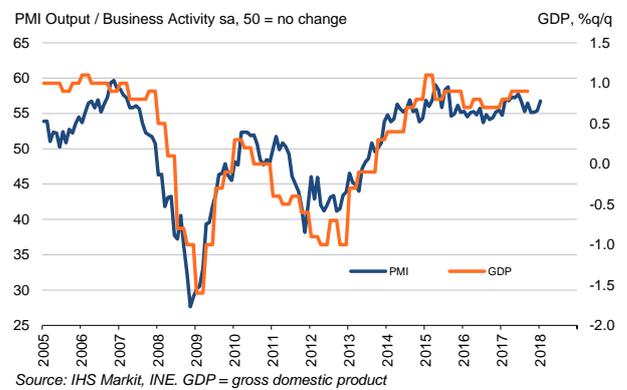
Italy



Germany



Spain



For further information, please contact:

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email chris.williamson@ihsmarkit.com

Rob Dobson, Director
Telephone +44-1491-461-095
Mobile +44-7826-913-863
Email rob.dobson@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

The Eurozone Composite *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 manufacturing and services firms. 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 Eurozone Services *PMI* (*Purchasing Managers' Index*) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite *PMI* and Services *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The January composite flash was based on 88% of the replies used in the final data. The January services flash was based on 82% of the replies used in the final data. **Data were collected 12-26 January.**

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 <i>PMI</i>	0.0	0.2
Eurozone Services Business Activity <i>PMI</i>	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.

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