

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) October 3rd 2018

IHS Markit Eurozone Composite PMI® – final data

Includes IHS Markit Eurozone Services PMI®

Manufacturing sector leads growth slowdown in September

Key findings:

- Final Eurozone Composite Output Index: **54.1** (Flash: 54.2, August Final: 54.5)
- Final Eurozone Services Business Activity Index: **54.7** (Flash: 54.7, August Final: 54.4)

Data collected September 12-25

The euro area economy expanded at its slowest rate for four months during September, according to the final **IHS Markit Eurozone PMI® Composite Output Index**. Posting 54.1, the headline index was down on August's 54.5 and slightly lower than the earlier flash estimate of 54.2.

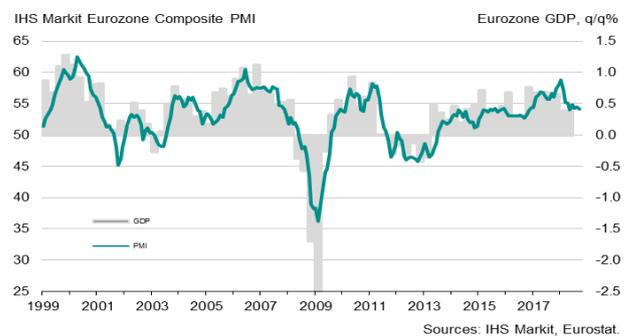
September's increase in activity, which marked the sixty-third successive month of growth, masked divergent trends between the manufacturing and services economies. Whilst there was an upturn in growth in the service sector to a three-month high, manufacturing recorded its slowest rise in output since May 2016.

At the national level, there was again a broad-based expansion. With the exception of Ireland, which recorded a strong rate of growth that was unchanged on August's seven-month high, private sector expansion remained much weaker than rates seen around the turn of the year. Most notably, Spain registered the slowest increase in activity in nearly five years, whilst growth in Italy was little-changed on August's near two-year low.

Germany and France continued to record relatively robust rates of expansion, despite the latter recording its weakest performance in 21 months.

Supporting the rise in activity across the single currency area was another expansion of incoming new work. Growth was solid, albeit a little softer than in August.

IHS Markit Eurozone Composite PMI



Countries ranked by Composite PMI*:

Ireland	58.4	unchanged
Germany	55.0 (flash: 55.3)	2-month low
France	54.0 (flash: 53.6)	21-month low
Spain	52.5	58-month low
Italy	52.4	2-month high

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

There was further evidence of capacity pressures during September, with backlogs of work increasing for the fortieth successive month. However, growth was modest, in part restricted by a further expansion of workforce numbers. Employment increased during September to stretch the current run of expansion to just under four years. Jobs continued to be added at the strongest rates in Germany and Ireland.

On the price front, input cost inflation remained sharp and was slightly higher than in August, whilst output prices also increased at a firmer rate. In line with the recent trend, price pressures remained most acute in Germany. The pricing power of companies in France and Italy remained notably weaker in comparison.

Meanwhile, geopolitical worries and ongoing concerns over increased protectionist measures

around the world continued to depress business sentiment. Despite improving since August, confidence remained amongst the lowest in the past two years. Most notably, German business confidence sank to its lowest level in 25 months, in contrast to slight improvements seen in France, Italy and Ireland. Spanish business confidence was unchanged at a five-year low.

Services

The final **IHS Markit Eurozone PMI® Services Business Activity Index** came in at a level of 54.7 in September (flash: 54.7). That was a slight improvement on August's 54.4 and the highest reading since June.

September's headline figure again masked notable divergences in performance by country. In Germany, growth improved to an eight-month high, whilst Ireland recorded a strong and accelerated rate of expansion. Activity rose solidly in France, albeit at the slowest rate since May. In Spain, growth was the weakest for nearly five years, whilst in Italy activity rose at a slightly better rate than August's ten-month low.

Levels of incoming new work continued to increase markedly, which added to pressure on capacity as highlighted by a solid gain in levels of unfinished business. Companies added to their staffing levels in response, with overall service sector jobs growth improving to the strongest in nearly 11 years. Across all countries, net gains in employment were running above their respective long-run averages.

Amid reports of higher prices for fuel and, in some instances, increased wage pressures (most notably in Germany), average operating expenses rose to the strongest degree since April 2011. Output prices rose in response, although subdued pricing power amongst Italian, Spanish and, to a lesser degree, French service sector companies restricted overall charge inflation.

Finally, business confidence improved on August's 21-month low but nonetheless remained historically subdued. Optimism was the weakest in Germany and Italy, and remained highest in Ireland.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"Context is everything: although running close to a two-year low, the disappointing September PMI remains at a relatively elevated level and signals solid growth. Comparisons with official data indicate that the survey data are equivalent to GDP rising by almost 0.5% in the third quarter.

"Note that the PMI data also indicate that we can expect the official growth estimates for the first half of the year to eventually be revised higher.

"However, the fourth quarter is unlikely to see such robust growth, as recent months have seen a clear loss of momentum in terms of both output and new order gains.

"The most worrying signs come from exports. Trade flows have more or less stalled, which represents a marked contrast to the record rate of export growth seen at the end of last year. While service sector growth remained resilient in September, it would be unusual for this to be sustained in the absence of improved manufacturing growth.

"Similarly, while employment gains remained historically high, a steady erosion in the rate of order book growth so far this year suggest the appetite to hire will soon wane without any notable upturn in new order inflows.

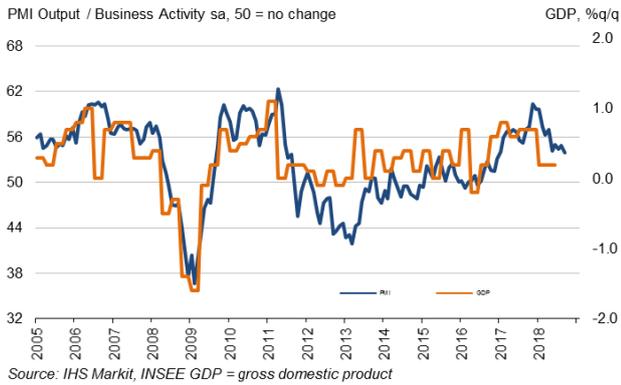
"With business confidence about the outlook running at one of the lowest seen over the past two years, companies are clearly not expecting any such imminent turn-around in demand."

-Ends-

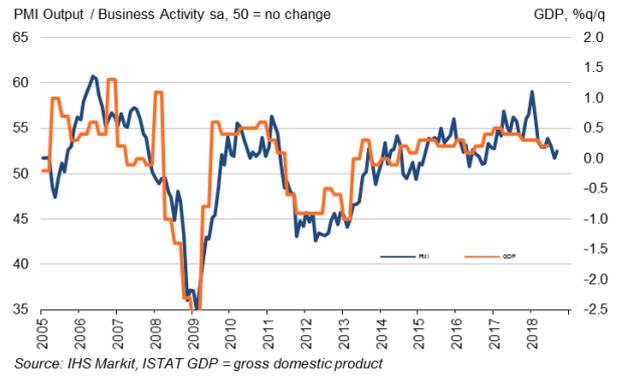
** [Click here](#) for further details of using the PMI to measure GDP in advance.

† 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.

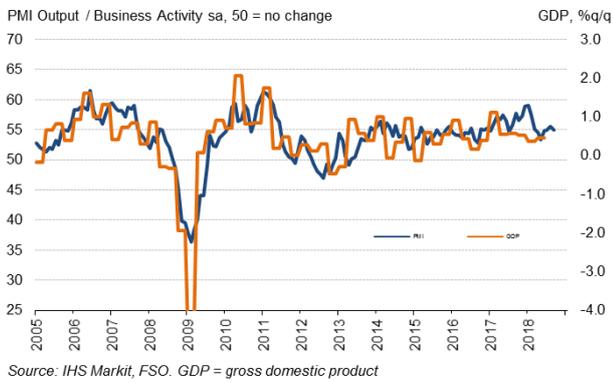
France



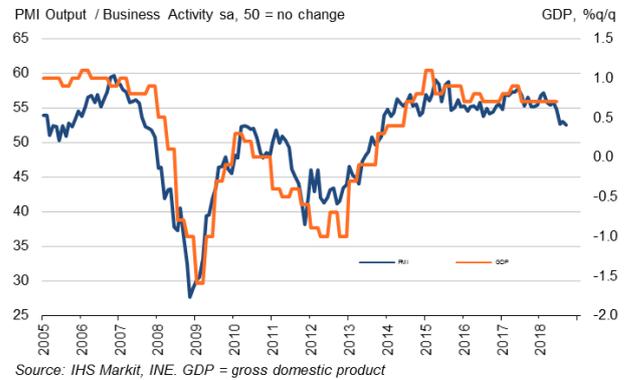
Italy



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

Paul Smith, Economics Director
Telephone +44-1491-461-038

Email paul.smith@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 September composite flash was based on 83% of the replies used in the final data. The September services flash was based on 76% of the replies used in the final data. **Data were collected 12-25 September.**

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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Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 40 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 <https://ihsmarkit.com/products/pmi.html>.

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