

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

PMI signals steady expansion in August but optimism hits two-year low

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 54.4 (54.3 in July). 2-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 54.4 (54.2 in July). 2-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 54.5 (54.4 in July). 3-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 54.6 (55.1 in July). 21-month low.

Data collected August 13-22

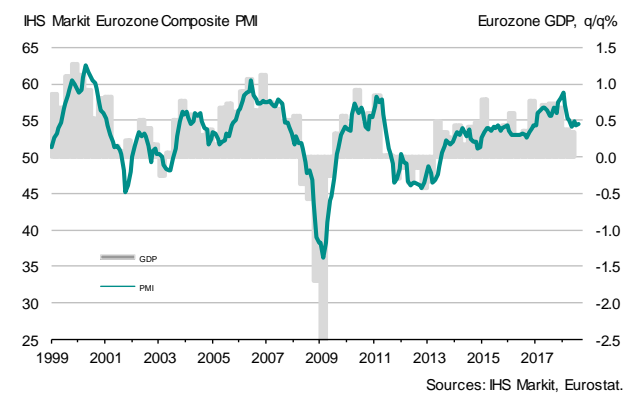
Flash PMI survey data indicated that the eurozone economy continued to grow in August, albeit with the rate of expansion remaining one of the weakest seen over the past year-and-a-half. Companies' expectations of future growth meanwhile slipped to the lowest for nearly two years.

The IHS Markit Eurozone Composite PMI[®] edged higher from 54.3 in July to 54.4 in August, according to the flash reading (which is based on approximately 85% of usual replies). The rise signalled a marginal acceleration of output growth during the month. However, the increase in output was the third-weakest since January 2017 and markedly lower than the expansions seen earlier in the year.

Although growth rates improved slightly in manufacturing and services, both remained among the weakest seen for at least one-and-a-half years.

Similarly, new order growth picked up marginally in both sectors but, measured overall, was nevertheless the third-weakest since December 2016. A particularly sluggish performance was seen in manufacturing, where new export orders registered the smallest monthly rise for two years.

IHS Markit Eurozone PMI and GDP



The overall volume of orders received but not yet completed continued to rise, albeit at the weakest rate for 19 months. While backlogs grew at a fractionally increased rate in services, the rise in manufacturing was only marginal and the smallest for just over three years.

The smaller accumulation of uncompleted work was the result of the reduced inflow of new orders compared to earlier in the year combined with sustained robust hiring.

Employment growth hit a six-month high, once again running close to survey record rates. However, while service sector jobs growth struck the highest since October 2007, factory payroll growth slipped to a 17-month low.

Future expectations of business activity meanwhile deteriorated to a 23-month low, slumping to a 34-month low in manufacturing and a 21-month low in the service sector. Optimism was subdued by recent signs of cooling demand, higher prices and rising political concerns.

The flash surveys also found price pressures to have remained elevated as higher wages were

seen in some countries, alongside increased fuel, transport and commodity prices. However, although input cost and selling price inflation rates remained among the highest seen over the past seven years, both cooled to three-month lows. Output price inflation eased in both manufacturing and services.

Within the eurozone, growth accelerated in France and Germany but slowed across the rest of the single-currency area.

The rate of growth of **Germany's** private sector economy accelerated to the fastest since February, suggesting the third quarter will see growth accelerate from the second quarter. The improvement was driven by a stronger increase in service sector activity. Manufacturing output rose at an identical rate to July, but new order growth for goods slipped amid the smallest rise in exports for over two years. Employment growth held close to record highs in Germany, but slower backlog accumulation hints at the pace of job creation cooling in coming months.

France also saw growth perk up, hitting a four-month high as the pace of expansion lifted higher in both manufacturing and services. However, although both sectors reported faster inflows of new business, growth rates remained well below peaks earlier in the year, notably for goods exports, and the third quarter is so far looking the weakest in terms of output growth since 2016. Future expectations also dropped sharply in both sectors, with the combined measure slumping to a 21-month low. Job creation remained buoyant, albeit on course for the weakest quarterly rise for a year.

Elsewhere in the eurozone, output and new order growth rates weakened to 22-month lows, with future expectations hitting a five-year low.

Comment

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

“The survey data indicate that the eurozone economy looks to have continued to grow at a steady rate in August, raising hopes that the third quarter could see GDP growth match the 0.4% expansion seen in the second quarter. In fact, the survey evidence suggests that the official data so far this year could yet be revised slightly higher.”

“Jobs growth also remains encouragingly robust, which should help further stimulate consumer spending and help offset signs of continuing weakness in exports.”

“With the indicators of current activity, employment and price gauges remaining elevated, the August survey sends a hawkish signal to policymakers. But the forward-looking indicators suggest the business mood could cool as summer passes.”

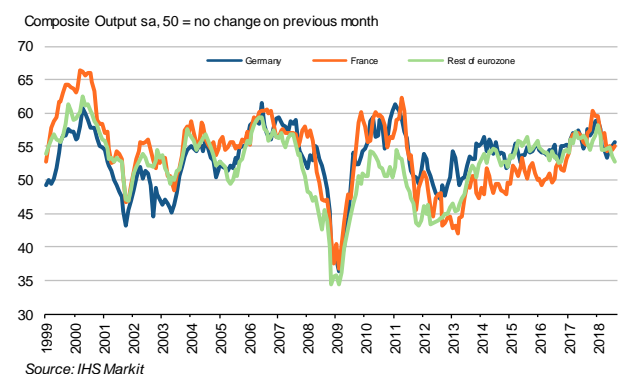
“Warning lights are flashing. Analysis of past data indicates that demand needs to pick up to sustain current output and employment growth in coming months. Yet the risks seem tilted to the downside.”

“Escalating political worries, rising prices and a recent slowdown in order book growth have all contributed to the gloomiest outlook for almost two years, according to companies’ expectations of their future output. In manufacturing, optimism is down to its lowest for almost three years, as a near-stalling of exports corroborated escalating trade war worries.”

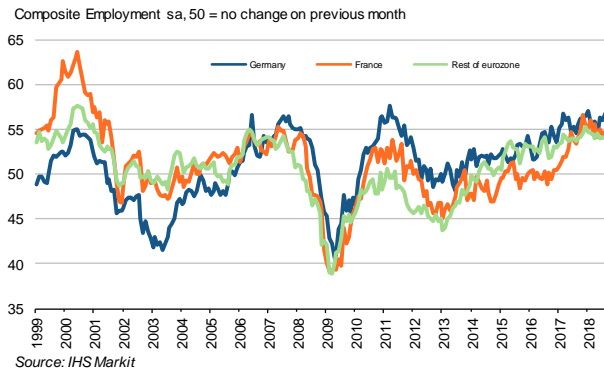
“With manufacturing looking the most susceptible to a trade-led slowdown in coming months, hopes are pinned on a robust service sector helping to drive economic growth as we move into the autumn, yet even here optimism is down to its lowest for nearly two years.”

-Ends-

Core v. Periphery PMI Output Indices



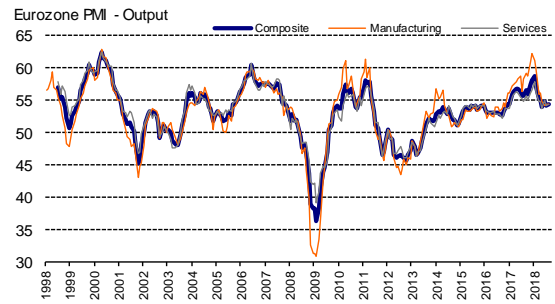
Core v. Periphery PMI Employment Indices



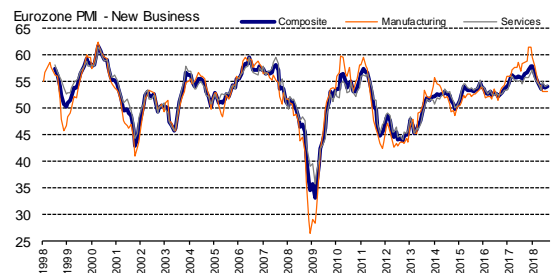
Summary of August data

Output	Composite	Rate of output growth ticks up.
	Services	Solid rise in services activity.
	Manufacturing	Further expansion of manufacturing production.
New Orders	Composite	New business increases at solid pace.
	Services	New order growth quickens.
	Manufacturing	Solid rise in new orders.
Backlogs of Work	Composite	Rate of backlog accumulation eases to 19-month low.
	Services	Outstanding business increases modestly.
	Manufacturing	Weakest rise in backlogs for over three years.
Employment	Composite	Job creation at six-month high.
	Services	Fastest rise in employment since October 2007.
	Manufacturing	Jobs growth eases to 17-month low.
Input Prices	Composite	Input prices continue to rise sharply.
	Services	Cost inflation accelerates.
	Manufacturing	Input costs increase sharply again.
Output Prices	Composite	Weaker increase in output prices.
	Services	Slowest rise in charges for three months.
	Manufacturing	Selling price inflation eases, but remains marked.
PMI⁽³⁾	Manufacturing	PMI at 21-month low of 54.6.

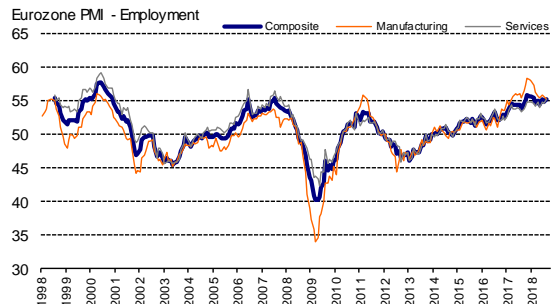
Output



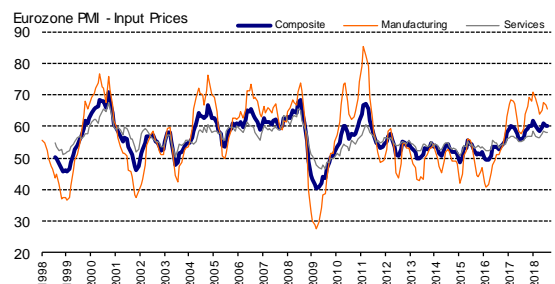
New business



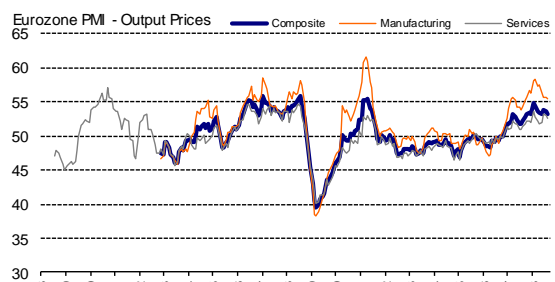
Employment



Input prices



Output prices



Source: IHS Markit

For further information, please contact:**IHS Markit**

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Note to Editors:

Final August data are published on 3 September for manufacturing and 5 September 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> ²	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 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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