

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

Eurozone manufacturing slump continues in August

Key findings:

- Final Eurozone Manufacturing PMI at 47.0 in August (Flash: 47.0, July Final: 46.5)
- Production and new orders continue to fall as confidence hits lowest since November 2012
- Employment declines for fourth month running during August

Data collected August 12-22

IHS Markit Eurozone Manufacturing PMI

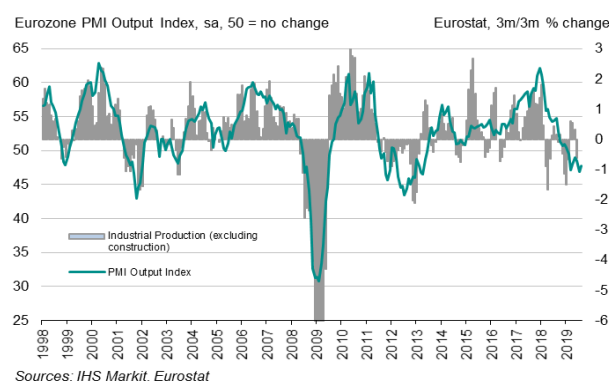


The IHS Markit Eurozone Manufacturing PMI[®] improved on July's six-and-a-half year low during August, but nonetheless remained well inside contraction territory. Rising from 46.5 in July to a level of 47.0, the index registered its second-lowest reading since April 2013 to indicate another notable deterioration in operating conditions. The PMI has now recorded below the 50.0 no-change mark for seven successive months.

The downturn in the manufacturing sector remained centred on the intermediate and investment goods categories during August, with notable contractions recorded across both sectors. In contrast, consumer goods continued to buck the wider trend, expanding at a solid rate and extending the current period of growth to nearly six years.

Countries ranked by Manufacturing PMI: August

Greece	54.9	4-month high
Netherlands	51.6	3-month high
France	51.1 (flash: 51.0)	2-month high
Spain	48.8	3-month high
Italy	48.7	3-month high
Ireland	48.6	76-month low
Austria	47.9	3-month high
Germany	43.5 (flash: 43.6)	2-month high



The improvement in the headline PMI was replicated in the main across the euro area, with only Ireland recording a fall in its PMI during August (to a 76-month low).

However, in several instances, PMIs remained at historically low levels, especially in Germany, where operating conditions continued to deteriorate to a considerable extent. Austria, Ireland, Italy and Spain also recorded sub 50.0 PMI readings in August.

In contrast, France and the Netherlands continued to experience modest manufacturing growth, whilst Greece was comfortably the strongest-performing nation, with expansion here improving to a four-month high.

Order books continued to decline in August, and again at a rate that was amongst the sharpest seen over the past six years. Only France, Greece and the

Netherlands recorded any growth in new order books, whilst Germany continued to record the greatest monthly drop.

Exports* remained a source of demand weakness, with the rate of contraction signalled by the survey again considerable despite improving on July's near eight-year record.

There was further evidence of excess capacity in the manufacturing sector during August, as firms made further notable cuts to their backlogs of existing work alongside further job shedding. Employment has now fallen for four months in succession, with the latest reduction at a pace little changed on July's 74-month record. The degree to which employment was cut in Germany was the greatest in just over eight years.

Further responding to poor underlying trends in output and new work, manufacturers chose to further cut back on their purchasing activity, preferring instead wherever possible to utilise existing stocks in production. These developments helped to further relieve any pressure on vendors as highlighted by a sixth successive monthly reduction in average supplier delivery times.

With few supply-side constraints, prices for raw materials and semi-manufactured goods continued to decline in August. Latest data marked a third successive monthly fall, with the rate of reduction only slightly weaker than July's 39-month record. Firms responded by reducing their own charges, albeit only marginally.

Finally, worries of a further deepening of the recent global manufacturing downturn, in part related to the ongoing trade war between the US and China, pushed confidence amongst firms to its lowest level since November 2012. Outright pessimism about the future was seen in Austria and Germany, with firms based in the latter the most downbeat in over eight years of data collection.

* Includes intra-eurozone trade.

Comment

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

“Eurozone producers are suffering as the summer slump in factory production persisted into August. Although up on July, August’s manufacturing PMI was the second-lowest since early 2013, and a marked deterioration in optimism about the year ahead suggests companies are expecting worse to come.

“The deteriorating manufacturing conditions mean the goods-producing sector is likely to act as an increased drag on eurozone economic growth in the third quarter. At current levels, the survey is consistent with goods production declining at a quarterly rate of 1%.

“Prices are falling as companies offer discounts in the face of disappointingly weak demand, and payroll numbers are being culled at one of the steepest rates seen over the past six years as companies increasingly seek to cut costs in the uncertain trading environment.

“Trade wars and tariffs remain the biggest concerns among producers, and the escalation of global trade war tensions in August encouraged further risk aversion.

“Germany is suffering the steepest decline, in part reflecting slumping global demand for autos and business machinery. While France bucked a wider downturn trend, even here growth was only very modest.”

-Ends-

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Note to Editors:

The Eurozone Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 89% of eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The August 2019 flash was based on 86% of the replies used in the final 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 Manufacturing <i>PMI</i>	0.0	0.1

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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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