

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

Eurozone growth edges down to one-and-a-half year low

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 52.9 (53.1 in June). 18-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.7 (52.8 in June). 18-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 51.9 (52.8 in June). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 53.6 (53.9 in June). 2-month low.

Data collected July 12-21

Euro area business activity growth edged lower in July, according to the Markit Eurozone Flash *PMI*®, dropping to an 18-month low. July's flash PMI reading of 52.9 compared to 53.1 in the prior two months and signalled only a marginal easing in the rate of growth of output across both manufacturing and services.

However, the overall pace of growth remained only slightly slower than the average seen so far this year, and employment rose at the fastest rate for almost five-and-a-half years as companies boosted capacity in line with the overall upturn in the economy.

Rates of expansion moderated slightly in both sectors, slipping to a one-and-a-half year nadir in services but merely easing to a two-month low in manufacturing. The relatively stronger performance in manufacturing was helped by a further upturn in new export orders, in turn linked to the weaker euro. However, export growth slowed fractionally from June's six-month high, in part due to weakened sales to the UK which were often blamed on the UK referendum and the weakening pound.

Although still signalling only modest economic growth, the surveys have now registered a continual expansion of eurozone business activity

Markit Eurozone PMI and GDP



for 37 months, a sustained expansion which has given many firms increasing confidence to hire additional staff. Employment across the two sectors subsequently rose in July at the fastest rate since February 2011, the rate of job creation having steadily improved over the past four months.

The service sector led the job market upturn, taking on extra staff to the greatest extent seen since February 2008. While factory hiring slowed and remained subdued by comparison, July nevertheless saw one of the largest gains in manufacturing employment recorded over the past five years.

Whether the rate of job creation will continue to strengthen remains uncertain, as business expectations in the service sector fell to a 19-month low.

The weak currency as well as rising oil prices were meanwhile cited as key drivers of input cost inflation hitting a one-year high, though average selling prices for goods and services fell marginally again, albeit to the smallest extent since last October.

Service sector input cost inflation was unchanged

since June while manufacturers' purchase prices rose for the first time in a year. Selling prices showed signs of near-stabilisation in both sectors.

In **Germany**, companies reported the fastest rate of output growth so far this year, driving one of the largest increases in employment seen over the past five years. Services growth revived from June's 13-month low and factories reported the largest improvement in production since April 2014.

In **France**, business activity stabilised after falling fractionally in June, buoyed by a marginal return to growth in services and an easing in the rate of decline in manufacturing.

The improvements in PMI data for France and Germany contrasted with the **rest of the region**, where the surveys signalled the weakest rise in activity since December 2014 as growth rates fell in both manufacturing and services.

Comment

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

"The eurozone economy showed surprising resilience in the face of the UK's vote to leave the EU and another terrorist attack in France.

"The overall rate of economic growth is largely unchanged, suggesting GDP is growing at a sluggish but reasonably steady annual rate of around 1.5%.

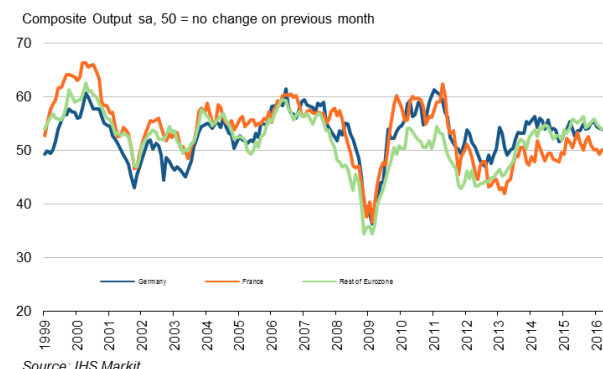
"It's especially encouraging to see employment growth continuing to improve, with firms' appetite to hire seemingly so far unaffected by the uncertainty caused by the Brexit vote, especially in Germany.

"However, business confidence about the outlook in the service sector has deteriorated to the worst for just over one-and-a-half years, linked primarily to the political and economic instability induced by the UK referendum, pointing to near-term downside risks for an already-lacklustre eurozone economy.

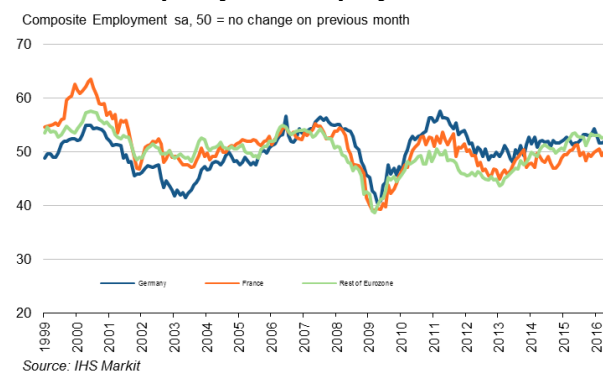
"Policymakers will be reassured by the resilience of the PMI in the immediate aftermath of the Brexit vote, but the fragility of the recovery leaves plenty of room for speculation about further stimulus later in the year."

-Ends-

Core v. Periphery PMI Output Indices



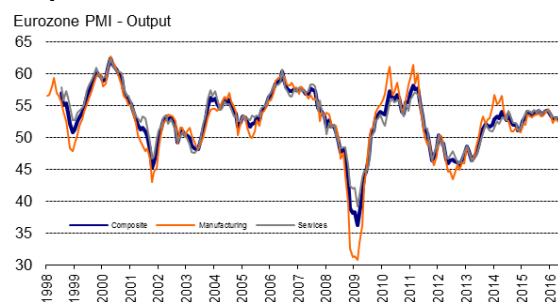
Core v. Periphery PMI Employment Indices



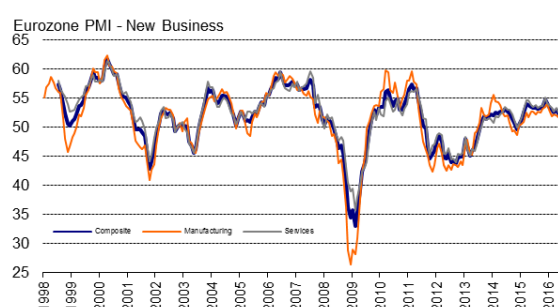
Summary of July data

Output	Composite	Weakest rise in output since January 2015.
	Services	Services expansion weakest in a year-and-a-half.
	Manufacturing	Output growth eases slightly from June's six-month high.
New Orders	Composite	New business growth little-changed from June.
	Services	New business increases at fastest rate in three months.
	Manufacturing	New order growth eases from June's six-month high.
Backlogs of Work	Composite	Backlogs rise marginally.
	Services	Outstanding business increases fractionally.
	Manufacturing	Backlogs rise for fifteenth consecutive month.
Employment	Composite	Jobs growth strengthens to 65-month high.
	Services	Fastest job creation since February 2008.
	Manufacturing	Employment rises at slower rate.
Input Prices	Composite	Input price inflation hits 12-month high.
	Services	Input price inflation unchanged from June.
	Manufacturing	Input prices rise for first time since July 2015.
Output Prices	Composite	Charges fall for tenth consecutive month.
	Services	Charges decline at marginal rate.
	Manufacturing	Output prices drop at slowest rate in seven months.
PMI⁽³⁾	Manufacturing	PMI declines to 51.9, from 52.8 in June.

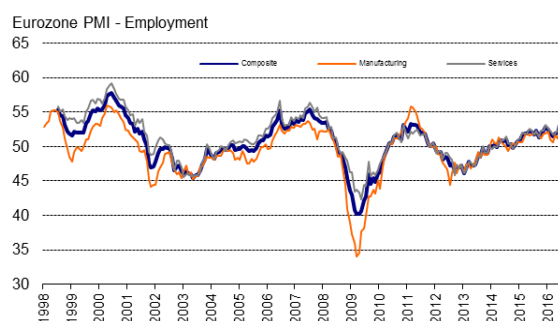
Output



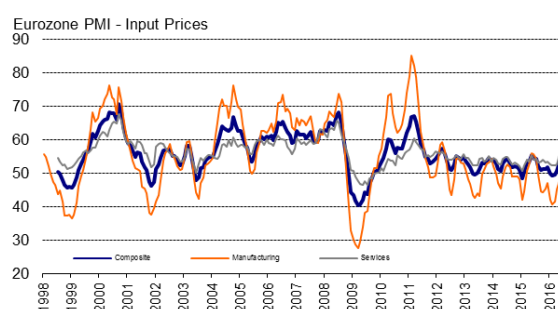
New business



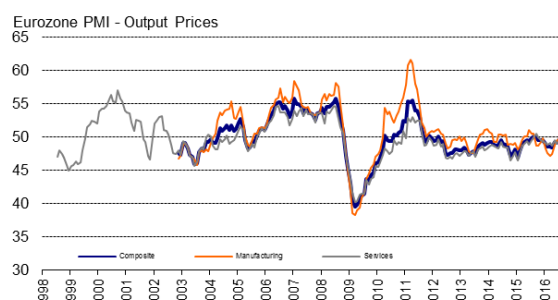
Employment



Input prices



Output prices



Source: IHS Markit.

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Final July data are published on August 1 for manufacturing and August 3 for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by 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	0.1	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.

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 Markit. Please contact economics@markit.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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