

## Eurozone

### Eurozone growth hits four-year high despite stalling French economy

- Eurozone PMI at highest since May 2011, points to 0.4% GDP rise in Q3
- Employment growth one of fastest in four years
- France slides closer to stagnation, Germany and Italy see strong growth, Spain booms

The final Markit Eurozone PMI<sup>®</sup> rose to 54.3 in August, up from 53.9 in July, and above the earlier flash estimate. The data signalled the fastest pace of expansion since May 2011.

#### Growth at four-year high

The survey data suggest that, although global economic worries have intensified in recent weeks, the calming of “Grexit” fears has led to an improvement in the business environment across the eurozone, pushing the pace of economic growth to its fastest for over four years in August. The PMI is indicating euro area GDP growth close to 0.4% in the third quarter, a solid, albeit unspectacular rate of expansion.

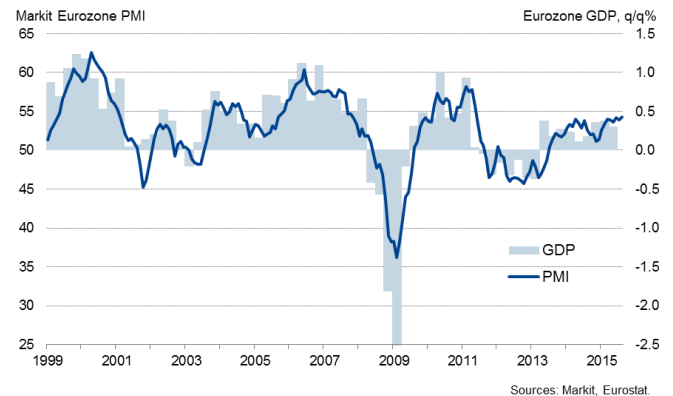
The rate of job creation across the eurozone also accelerated to one of the fastest seen over the past four years as companies prepared for further growth in coming months, adding to signs of an increasingly sustainable-looking upturn.

#### France left behind in upturn

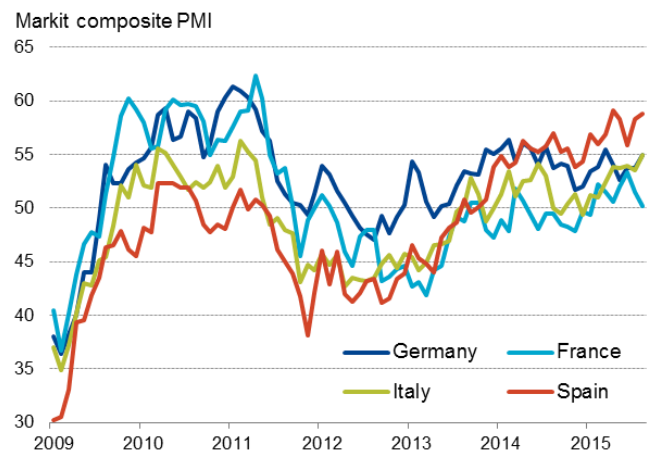
The upturn was stronger than estimated by the flash reading, thanks mainly to stronger growth in Germany and the best performance for over four years in Italy, where PMIs of 55.0 are pointing to 0.5% GDP growth in the third quarter in both cases. But it is Spain that remains the star performer among the largest eurozone countries, with a PMI of 58.8 adding to signs of another 1.0% GDP growth spurt in the third quarter.

A worrying deterioration of growth in France highlighted a major concern about the lack of demand in the region’s second-largest economy. The French PMI dropped below the earlier flash reading to just 50.2, signalling a near-stagnation of the economy in the third quarter.

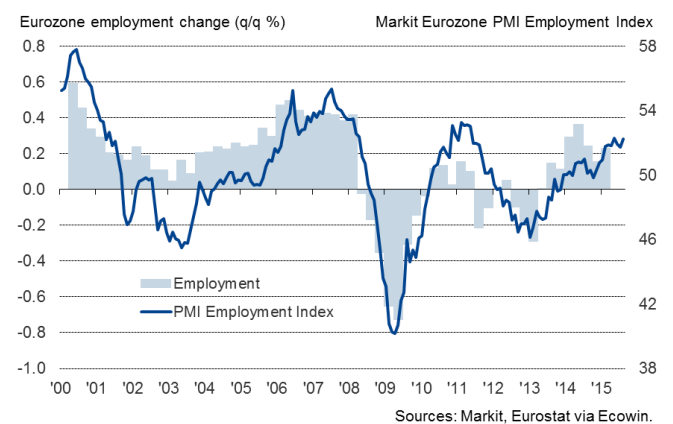
**Eurozone economic growth and the PMI**



**Eurozone ‘big four’**



**Employment**

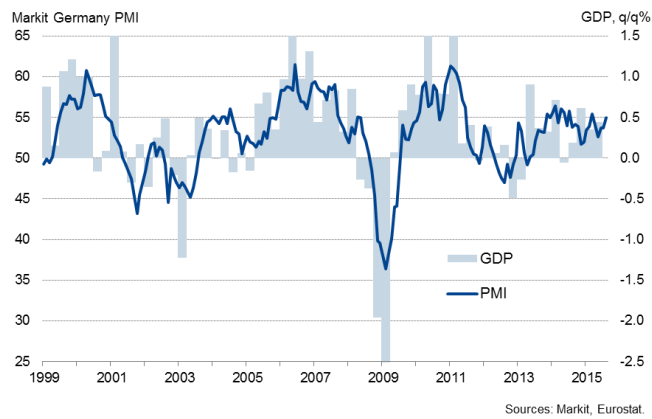


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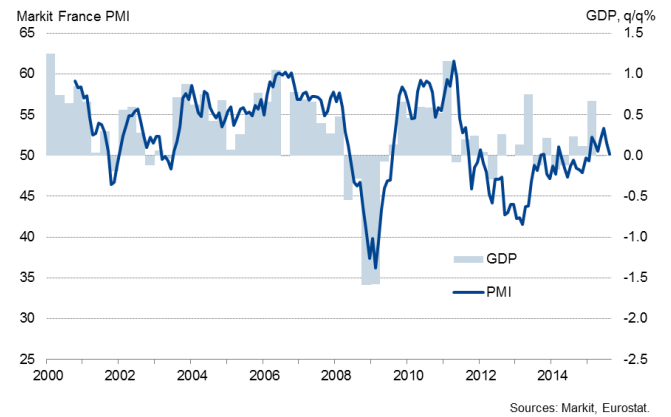
## Lower inflation outlook

The ECB will probably be reassured by the ability of the eurozone economy as a whole to withstand recent headwinds. That said, policymakers have little scope for complacency, however, as slower growth in the emerging markets, recent financial market volatility and a stronger euro have the potential to hit the economy's performance in coming months and will also keep inflation lower than the ECB had been anticipating. The PMI survey's measure of firms' selling prices stabilised, the first time since March 2012 that prices have not been cut. However, the gauge of input costs was down to a six-month low in August, with manufacturers' input prices falling, suggesting pipeline inflationary pressures have eased again.

### German economic growth and the PMI



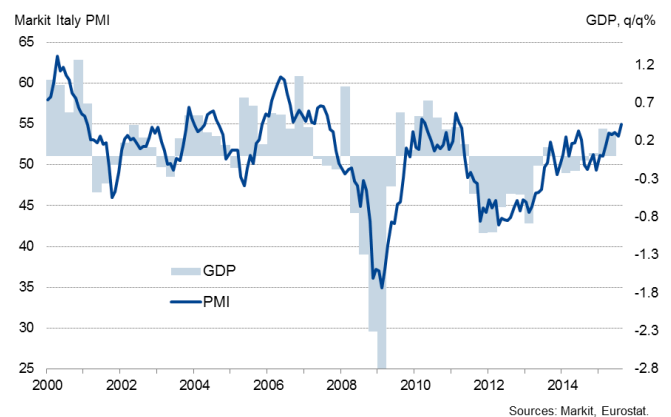
### French economic growth and the PMI



### Spain GDP (economic growth) and the PMI



### Italy GDP (economic growth) and the PMI



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