

Eurozone Manufacturing

Manufacturing expansion continues at start of third quarter

- Eurozone Flash Manufacturing PMI™ at 51.9
- Disparity grows between Germany and France
- Recovery continues outside big-two nations

Data collected 11-23 July.

The Markit Flash Eurozone Manufacturing PMI™ – typically based on around 85%-90% of final survey responses – ticked higher to 51.9 in July, up from June’s seven-month low of 51.8. The headline PMI has signalled an improvement in operating conditions for 13 straight months.

Eurozone manufacturers reported further growth of production, new orders and new exports. However, rates of expansion remained weaker than the highs scaled towards the start of the year, further highlighting the ongoing fragility of the current recovery.

Based on its historical relationship against the official Eurostat industrial production index, the Flash Eurozone Manufacturing Output Index reading of 53.0 in July is consistent with production rising at a quarterly pace of around 0.3%, down from 0.8% in January.

Job creation was recorded for the seventh successive month in July. However, with inflows of new business still relatively subdued and work-in-hand falling for a third successive month, the rate of increase in payroll numbers remained only slight.

On the prices front, average selling prices and input costs both rose during July. Selling prices rose only slightly, however, as modest increases in Germany and (on average) outside of the big-two economies were offset by a reduction in France.

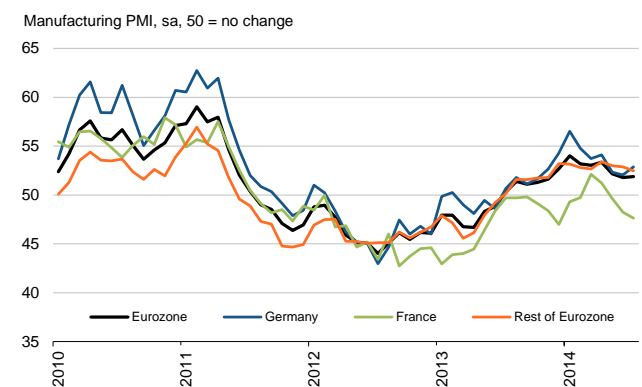
Average input costs, meanwhile, rose at the quickest pace seen in the year-to-date. Purchase price inflation hit a seven-month high in France and strengthened to a 21-month peak outside of the big-two nations. In contrast, a further reduction in input costs was registered by Germany.

Flash Manufacturing PMI™: July 2014

Eurozone	51.9	2-month high
Germany	52.9	3-month high
France	47.6	7-month low
Rest of Eurozone*	52.5	8-month low

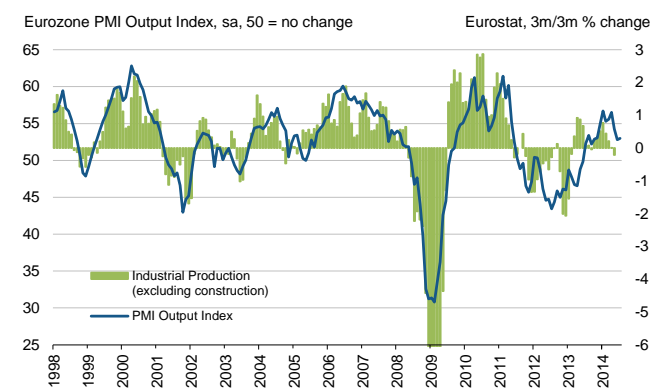
*based on a weighted average of Italy, Spain, the Netherlands, Austria, Republic of Ireland and Greece

Manufacturing PMI Breakdown



Source: Markit.

Manufacturing Output: Eurozone



Sources: Markit, Eurostat

Performance gap between Germany and France widens

The relatively steady growth trend exhibited at the region-wide level masked a further widening of the performance disparity between France and Germany, as July saw the German and French manufacturing sectors continue to move in opposite directions.

The German PMI rose to a three-month high of 52.9, whereas its French counterpart dropped to a seven-month low of 47.6. The gap between the German and French PMI readings is now the widest since January and one of the greatest seen during the survey history.

Germany benefitted from a pick-up in output growth – improving from June’s low – underpinned by stronger inflows of both total new orders and new export business. Employment was broadly unchanged for the third straight month, however suggesting that manufacturers maintained a cautious approach to hiring.

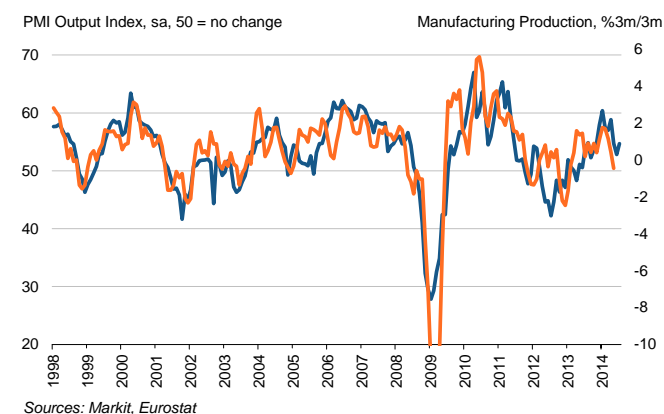
If the official data match the trend in the PMI, German manufacturing production will expand at a pace close to 0.7% at the start of quarter three.

France remained a heavy drag on the overall performance of the region, as its recently renewed manufacturing downturn deepened at the start of the third quarter. French production fell at the sharpest pace since April 2013, leading to further job cuts and extending the current almost unbroken two-and-a-half year sequence of losses.

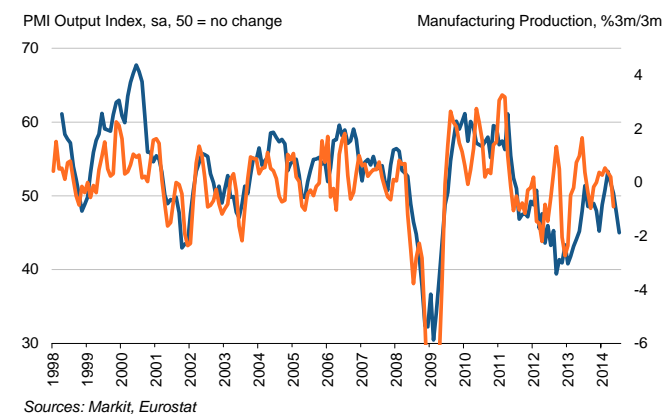
French manufacturing production most likely fell by over 1.5% (3m-on-3m) in July. The outlook for French manufacturers also remained weak, with new orders declining at the second-steepest rate since April 2013 as companies reported lacklustre order inflows from both domestic and non-domestic clients.

A brighter note was struck by the rest of the eurozone, as the manufacturing recovery outside of the big-two nations continued. Solid (albeit slower) expansions were registered for output, new orders and new exports in July. Important to sustaining the recovery outside the big-two nations was a further increase in employment, the eighth in as many months, helping to reduce the double-digit unemployment rates seen in many of these countries.

Manufacturing Output: Germany



Manufacturing Output: France



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