

Eurozone

Eurozone shows resilience in face of Brexit vote

- Eurozone PMI shows marginal growth acceleration in July
- Employment rising at pace not exceeded since February 2008
- Growth upturn driven by Germany
- Growth slows in Spain and Italy, stagnates in France

A welcome uptick in the final Eurozone PMI numbers presents a slightly better picture than the slowing signalled by the earlier flash reading, and is especially encouraging as it suggests the region saw little overall contagion from the UK's 'Brexit' vote.

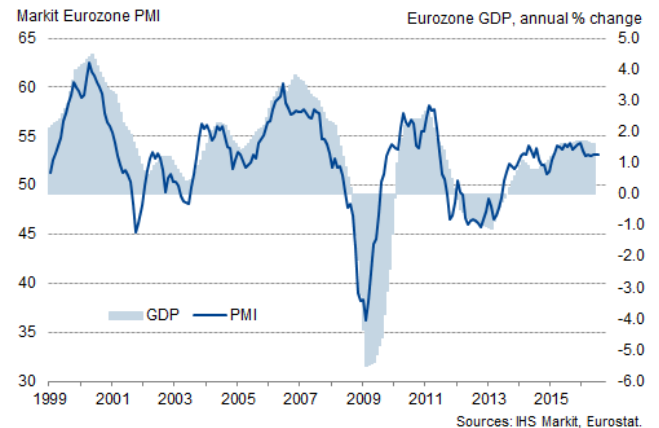
The final **Markit Eurozone PMI® Services Business Activity Index** posted 52.9, up slightly from June's 17-month low of 52.8 and the earlier flash estimate of 52.7.

However, the survey is still indicating only a modest 0.3% quarterly rate of economic growth at the start of the third quarter. Such a meagre pace of expansion will inevitably fuel speculation about what the ECB could and should do to boost growth, and when.

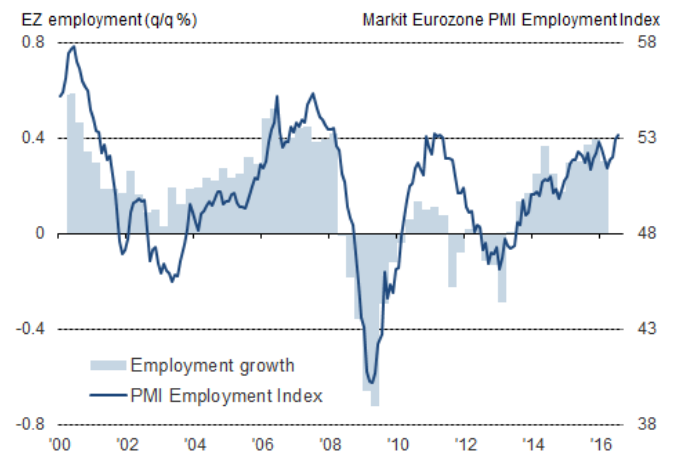
The upturn is being led by surging growth in Germany, where a 0.5% pace of expansion is being signalled. However, France continued to stagnate, acting as a significant drag on the region. Growth has also slowed in Spain and Italy, in both cases indicating that political uncertainty is hurting businesses. While the pace of expansion in Spain has merely slowed to around 0.6% in July, Italy is growing at a sluggish 0.2% pace.

Greater comfort can be gained from the upturn in employment growth to a pace which has not been exceeded since February 2008. The improved hiring trend suggests firms have gained sufficient confidence in the durability and sustainability of the upturn to expand capacity in increasing numbers. However, if growth in Spain and Italy continues to weaken, this impressive hiring trend will inevitably come under pressure.

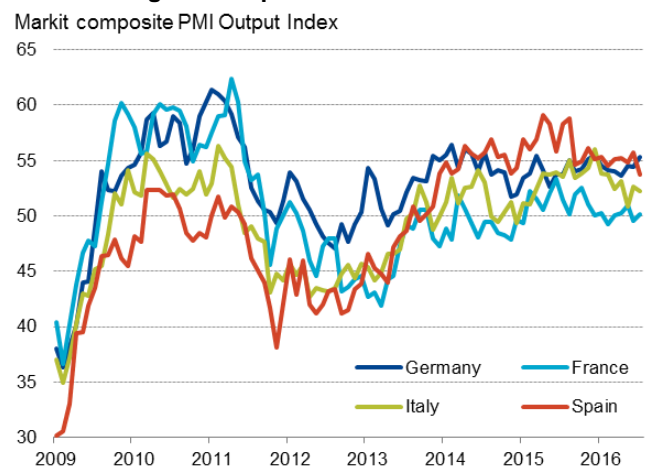
Eurozone economic growth



Eurozone employment

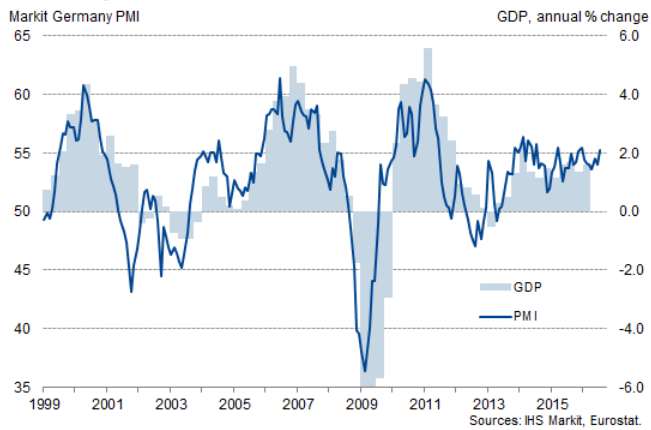


Eurozone big-four output

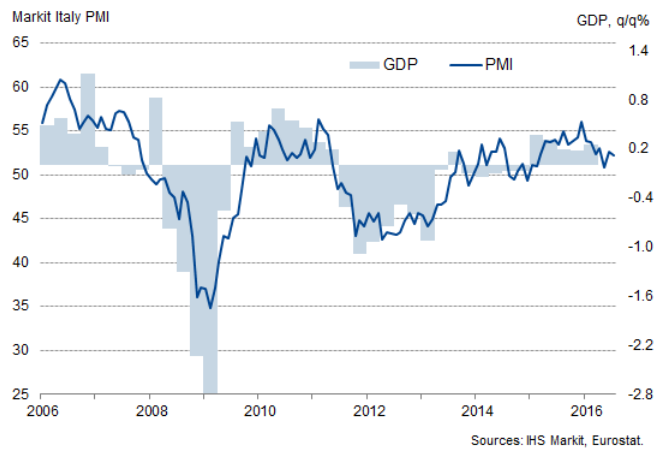


Sources: IHS Markit, Eurostat.

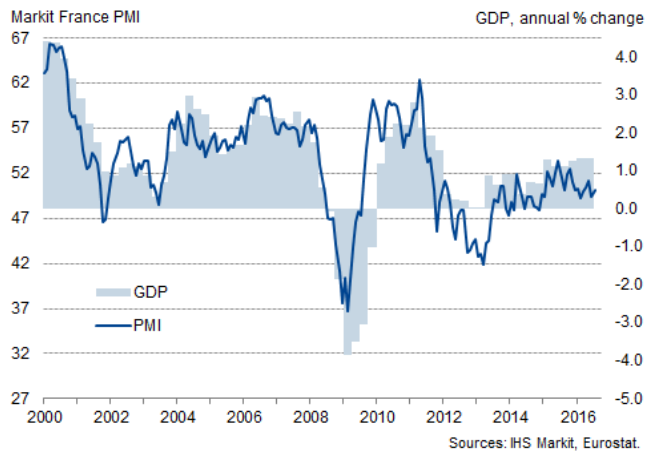
Germany PMI v GDP



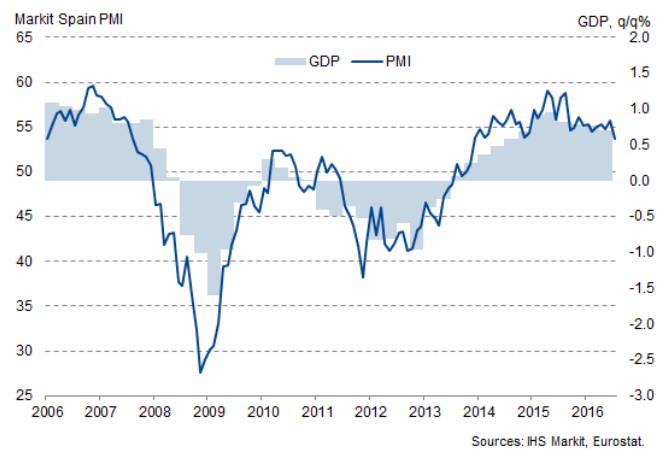
Italy GDP (economic growth) and the PMI



France PMI v GDP



Spain GDP (economic growth) and the PMI



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