



IHS Markit Eurozone Composite PMI®

Eurozone grows at fastest rate since June 2006

Key findings

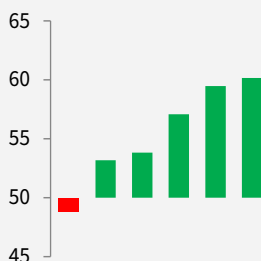
Eurozone Composite Output Index: **60.2**

Eurozone Services Business Activity Index: **59.8**

Eurozone Composite Output Index



Last six months



Eurozone business activity rose at its fastest rate in just over 15 years during July, with steep manufacturing output growth complemented by an accelerated expansion of services activity.

After accounting for seasonal factors, the IHS Markit Eurozone PMI® Composite Output Index rose to 60.2, surpassing June's 15-year record of 59.5. This was the fifth successive month in which private sector output has expanded, the longest uninterrupted sequence since the pandemic began early last year.

Driving the broad acceleration in output growth was services, where activity increased at its fastest pace since mid-2006. Although manufacturing production rose at its softest rate in five months, the expansion was considerable and still outstripped that seen in the services sector.

Among the four largest eurozone economies, the quickest rise was in Germany, where again the rate of expansion accelerated to a record high. In Italy, private sector activity growth jumped to a three-and-a-half year high, while Spain and France registered softer increases in output.

Latest survey data also revealed the quickest rise in demand for euro area goods and services since May 2000 in July. Again, trends in new orders were similar to output, with more rapid demand growth for services contrasting with a slower pick-up for goods.

Nevertheless, increased order book volumes

reflected improvements in both domestic and international markets, as indicated by a rise in new export business. Although foreign demand rose at a marginally weaker pace than in June, it was still the second-fastest recorded since comparable data were first published in September 2014.

The consequence of steep month-to-month growth in new business strained operating capacities across the eurozone immensely in July. This was evidenced by a survey-record rise in outstanding business and extended the current period of backlog accumulation to five months.

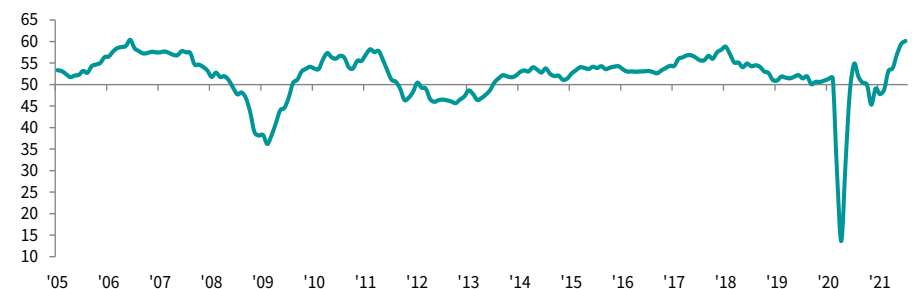
However, notable efforts to bolster output potential were seen as employment increased at the fastest rate in almost 21 years. Rates of job creation quickened in Germany and Italy, but eased in France and Spain.

Meanwhile, inflationary trends showed some signs of stabilising in July. Input costs rose at the strongest rate since September 2000, although the pace of increase was only fractionally quicker than in June. Output charge inflation was unchanged from June's record high.

Lastly, businesses remained firmly optimistic that output would grow over the next 12 months, although the degree of confidence slipped from June's high (since 2012) to a four-month low.

Composite Output Index

sa, >50 = growth since previous month



IHS Markit Eurozone Manufacturing PMI®

Manufacturing growth remains strong despite slight loss of momentum

Manufacturing PMI

JULY
62.8
June: 63.4

Last six months

Manufacturers in the euro area recorded another resilient outturn in July as the headline PMI® signalled a sharp improvement in the health of the goods-producing sector. At 62.8, the final reading of the PMI was down slightly from 63.4 in June and the lowest since March. Nevertheless, the sector has now recorded successive months of expansion since July 2020, with the latest reading only slightly below June's survey record high.

The sub-sector splits of the data showed sharp expansions across consumer, intermediate and investment goods makers once again in July, with the latter boasting the fastest upturn of the three. However, a higher PMI reading at consumer goods producers contrasted with lower prints from the other two sectors.

With the exception of Germany, there was a broad decrease across the national Manufacturing PMIs in July. That said, in countries where rates of improvement slowed, expansions were still historically sharp. In Germany, the rate of growth hit a three-month high that was the third-highest on record, behind March and April. Elsewhere, the Netherlands and Greece retained their positions as the fastest and slowest growing countries within the euro area respectively.

The decline seen in headline PMI reflected a similar trend in the survey's output index, which signalled the softest increase in eurozone production since February. That said, the overall rate of expansion was still notable. The Netherlands, Germany and Austria registered particularly sharp rates of growth.

Higher output volumes were underpinned by a continued improvement in demand for euro area goods. As has been the case over the past few months, the rate of growth in new business was steep and held close to March's survey record. Meanwhile, new export orders* expanded at a sharp rate, albeit one that was the weakest in five months.

Operating capacities were tested in July, as evidenced by a considerable increase in backlogs of work across euro area goods producers. Firms responded by hiring additional staff at a rate unseen in 24 years of data collection. Job creation was especially marked in Germany and Austria.

Furthermore, purchasing activity was expanded as part of efforts to meet growing production requirements. That said, manufacturers continued to face substantial supply-side challenges, with input lead times lengthening to one of the greatest degrees ever recorded by the survey.

The combination of scarce input availability and growing order books led firms to utilise their inventories in July. Stocks of purchases were depleted in line with rising output, while warehoused goods were also used to complete sales.

Widespread shortages of materials and poor transport availability pushed up manufacturing input prices in July at a survey-record rate. Indeed, national level data showed rates of cost inflation accelerating to fresh highs across a slew of countries including Austria, Germany and the Netherlands.

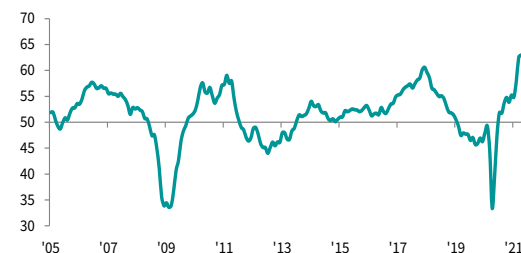
A record increase in input costs was accompanied by a record rise in selling charges as firms sought to pass the cost burden on to their clients. Overall, output charges across the eurozone have risen for ten consecutive months.

Lastly, euro area manufacturers retained their optimistic outlook for the next 12 months as the global economic recovery continues and business adjust to fewer pandemic-related restrictions. Overall, output expectations remained in firm positive territory, although the level of confidence slipped to a seven-month low.

* Includes intra-eurozone trade.

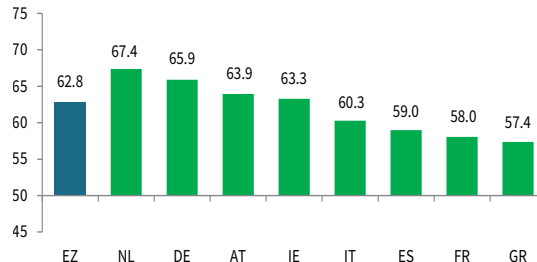
Manufacturing PMI

sa, >50 = improvement since previous month



PMI by nation, July '21

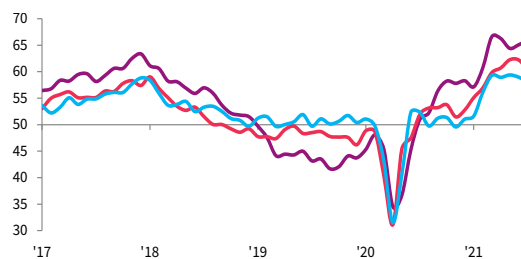
sa, >50 = improvement since previous month



PMI by nation

Germany / France / Italy

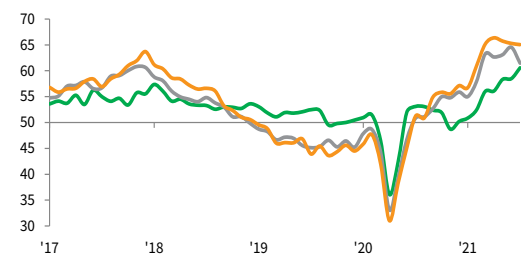
sa, >50 = improvement since previous month



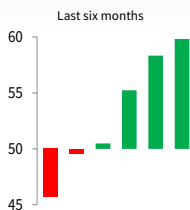
PMI by goods sector

Consumer / Intermediate / Investment

sa, >50 = improvement since previous month



Services Business Activity Index



Growth rate of services business activity accelerates in July

The IHS Markit Eurozone PMI® Services Business Activity Index continued to rise further beyond the 50.0 mark, latest data showed, indicating accelerating growth in services output. At 59.8 in July, compared to 58.3 previously, the latest figure was the highest since June 2006 and consistent with a sharp rate of activity growth. Of the four largest eurozone economies, Spain registered the sharpest growth, and Italy the weakest. New business also continued to increase at a considerable pace, boosted by sharper growth in new export orders. Consequently, domestic and international demand combined rose at the quickest rate in 14 years.

However, operating capacities were tested in July, as evidenced by a joint-record increase in backlogs of work. This encouraged the greatest expansion in employment across the eurozone service sector for almost three years.

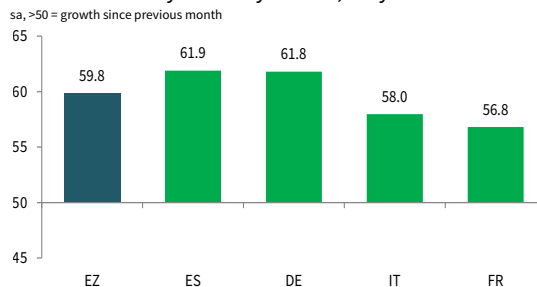
Surveyed firms retained an exceedingly optimistic† view towards future activity prospects in July, although the level of positive sentiment receded to a three-month low.

Lastly, inflationary pressures subsided slightly during the latest survey period, with both output price and input cost inflation slowing since June. Nevertheless, rates of increase remained historically elevated.

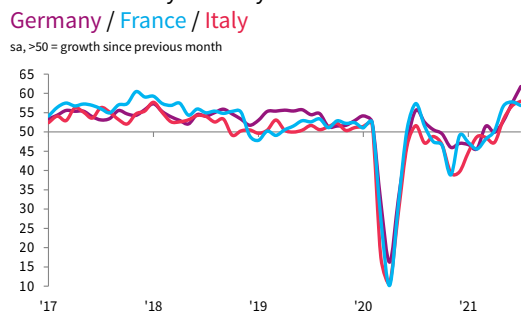
Services Business Activity Index



Business Activity Index by nation, July '21



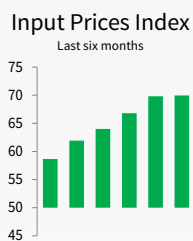
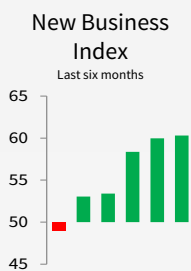
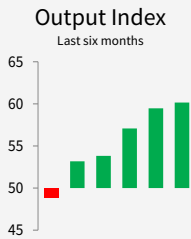
Business Activity Index by nation



† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

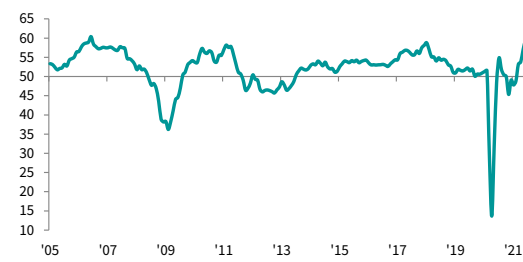
Composite index summary

Key data



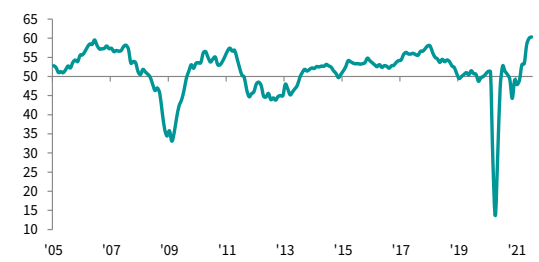
Output Index

sa, >50 = growth since previous month



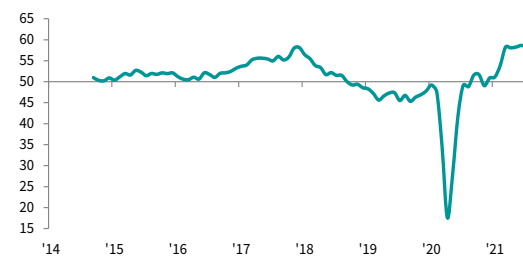
New Business Index

sa, >50 = growth since previous month



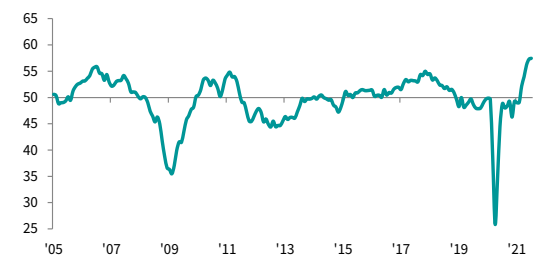
New Export Business Index

sa, >50 = growth since previous month



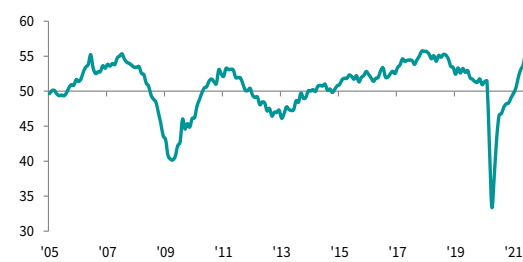
Outstanding Business Index

sa, >50 = growth since previous month



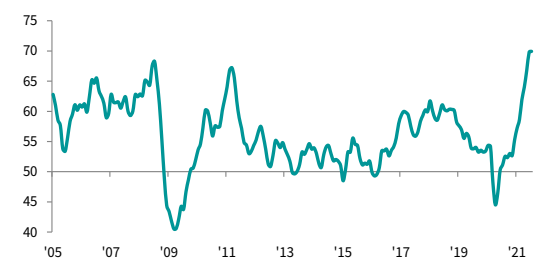
Employment Index

sa, >50 = growth since previous month



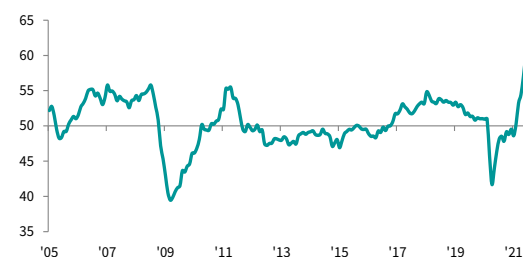
Input Prices Index

sa, >50 = inflation since previous month



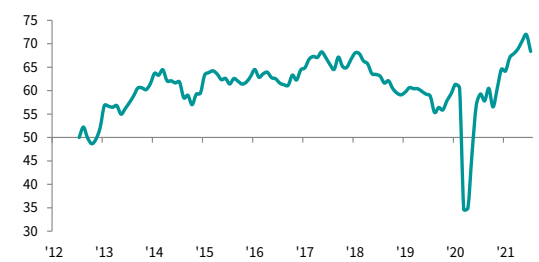
Prices Charged Index

sa, >50 = inflation since previous month



Future Output Index

>50 = growth expected over next 12 months

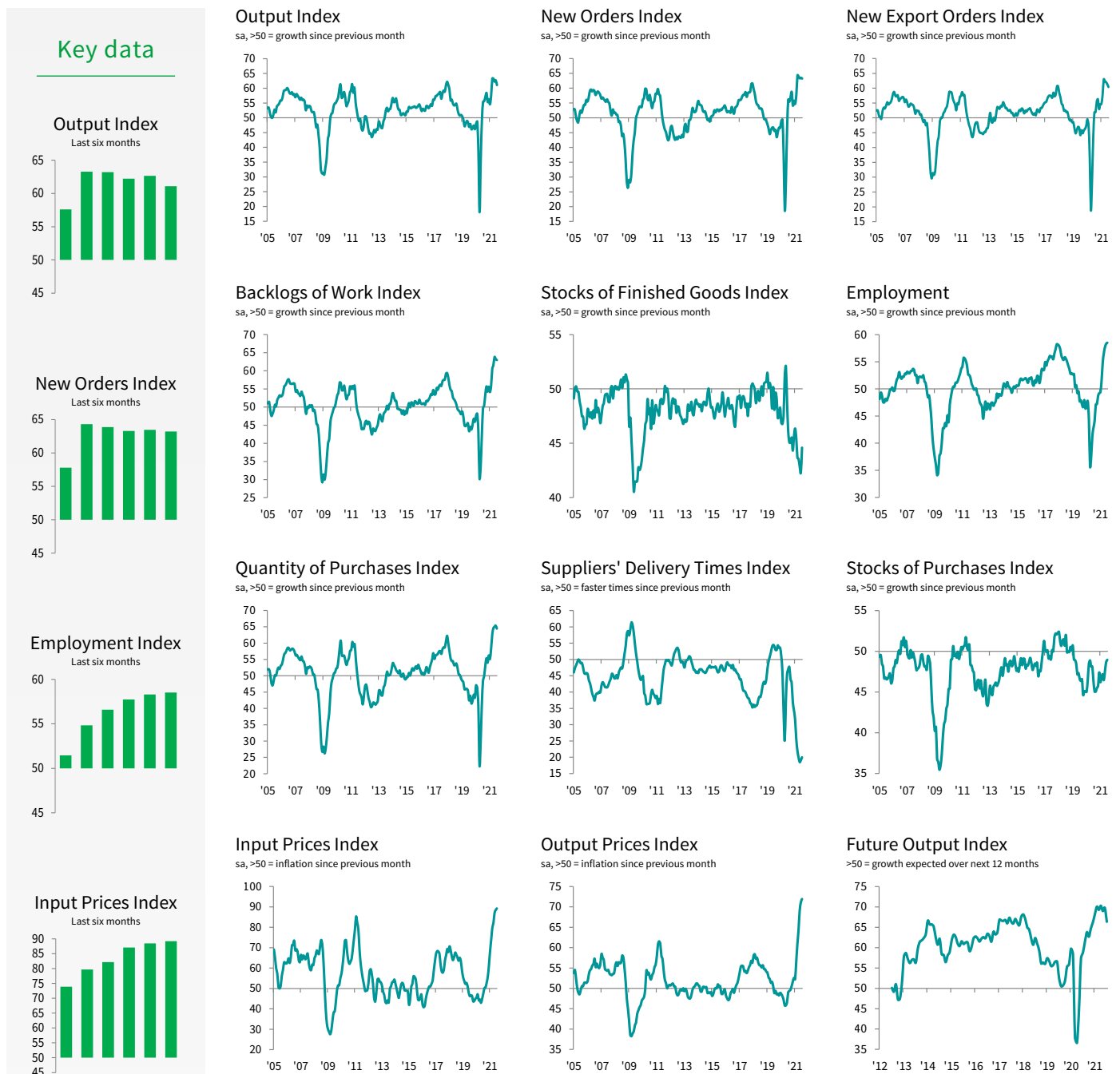


Index Summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Output	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Output*
02 '21	48.8	49.0	53.8	49.1	50.5	58.6	50.3	67.0
03 '21	53.2	53.1	58.2	52.2	52.0	61.9	53.2	67.9
04 '21	53.8	53.4	58.1	53.9	53.1	64.0	54.4	68.9
05 '21	57.1	58.4	58.3	56.2	53.8	66.8	56.9	70.6
06 '21	59.5	60.0	58.7	57.3	55.6	69.8	59.7	71.9
07 '21	60.2	60.3	58.4	57.5	56.1	69.9	59.7	68.4

Manufacturing index summary



Index Summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Backlogs of Work	Stocks of Finished Goods	Employment	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Output Prices	Future Output*
02 '21	57.9	57.6	57.8	57.7	55.7	45.5	51.5	58.1	25.6	46.8	73.9	56.5	70.1
03 '21	62.5	63.3	64.3	63.0	60.4	43.7	54.8	62.6	22.0	47.2	79.7	60.9	69.3
04 '21	62.9	63.2	63.9	62.4	61.5	43.5	56.6	64.6	20.0	46.5	82.2	64.3	70.3
05 '21	63.1	62.2	63.3	62.0	63.8	42.9	57.7	65.0	18.5	47.6	87.1	69.1	69.0
06 '21	63.4	62.6	63.5	61.4	63.2	42.3	58.3	65.4	19.1	48.7	88.5	71.1	69.8
07 '21	62.8	61.1	63.2	60.4	63.0	44.6	58.5	64.5	20.0	49.0	89.2	71.9	66.4

Services index summary

Key data

Business Activity Index
Last six months

New Business Index
Last six months

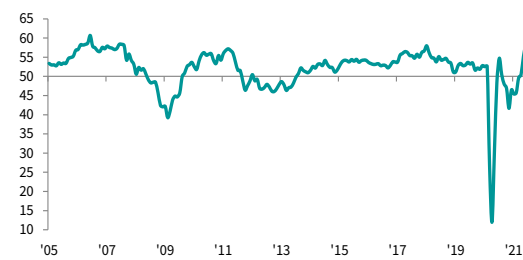
Employment Index
Last six months

Input Prices Index
Last six months

Prices Charged Index
Last six months

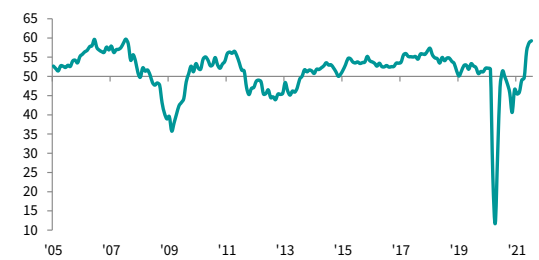
Business Activity Index

sa, >50 = growth since previous month



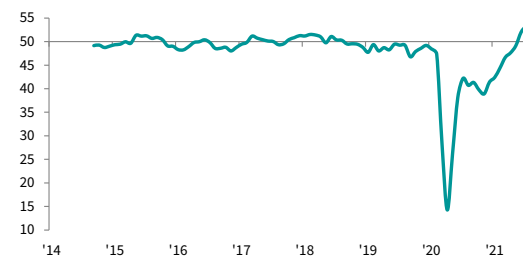
New Business Index

sa, >50 = growth since previous month



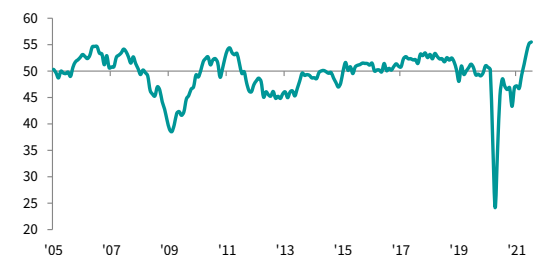
New Export Business Index

sa, >50 = growth since previous month



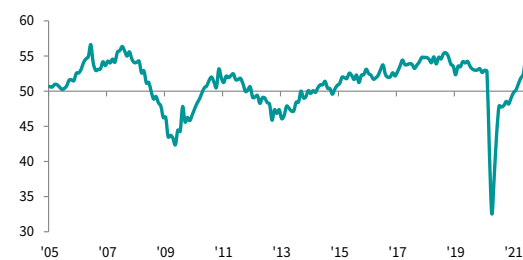
Outstanding Business Index

sa, >50 = growth since previous month



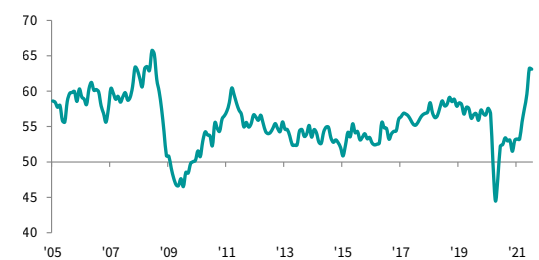
Employment Index

sa, >50 = growth since previous month



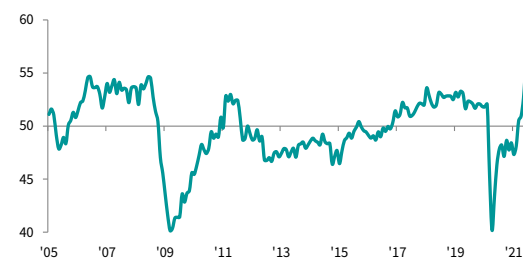
Input Prices Index

sa, >50 = inflation since previous month



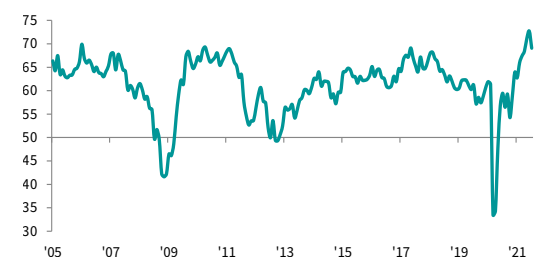
Prices Charged Index

sa, >50 = inflation since previous month



Future Activity Index

>50 = growth expected over next 12 months



Index Summary

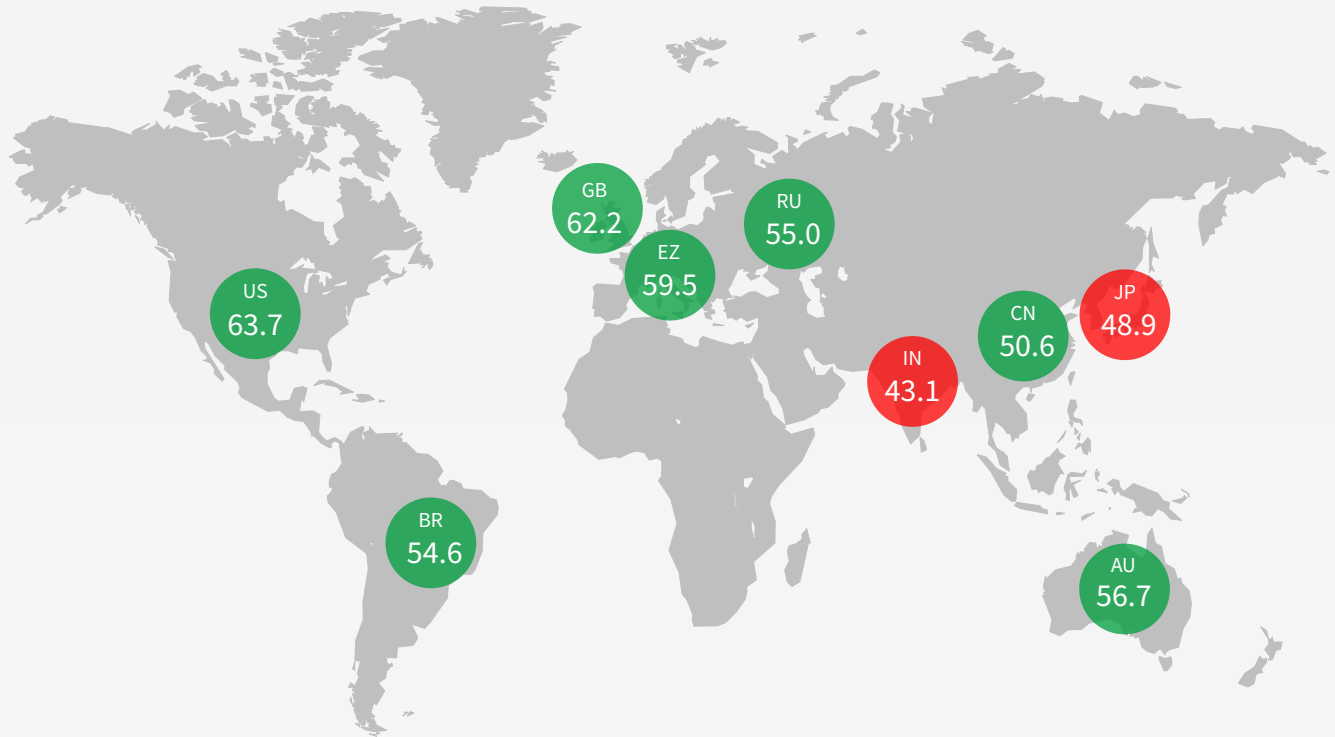
sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Activity*
02 '21	45.7	45.9	44.4	46.8	50.2	53.2	48.1	66.0
03 '21	49.6	49.1	46.6	49.3	51.1	55.6	50.5	67.4
04 '21	50.5	49.7	47.6	51.3	51.9	57.6	50.9	68.4
05 '21	55.2	56.6	49.1	53.5	52.4	59.6	52.6	71.2
06 '21	58.3	58.7	52.0	55.2	54.7	63.2	55.6	72.7
07 '21	59.8	59.3	53.4	55.5	55.2	63.1	55.3	69.1

International PMI

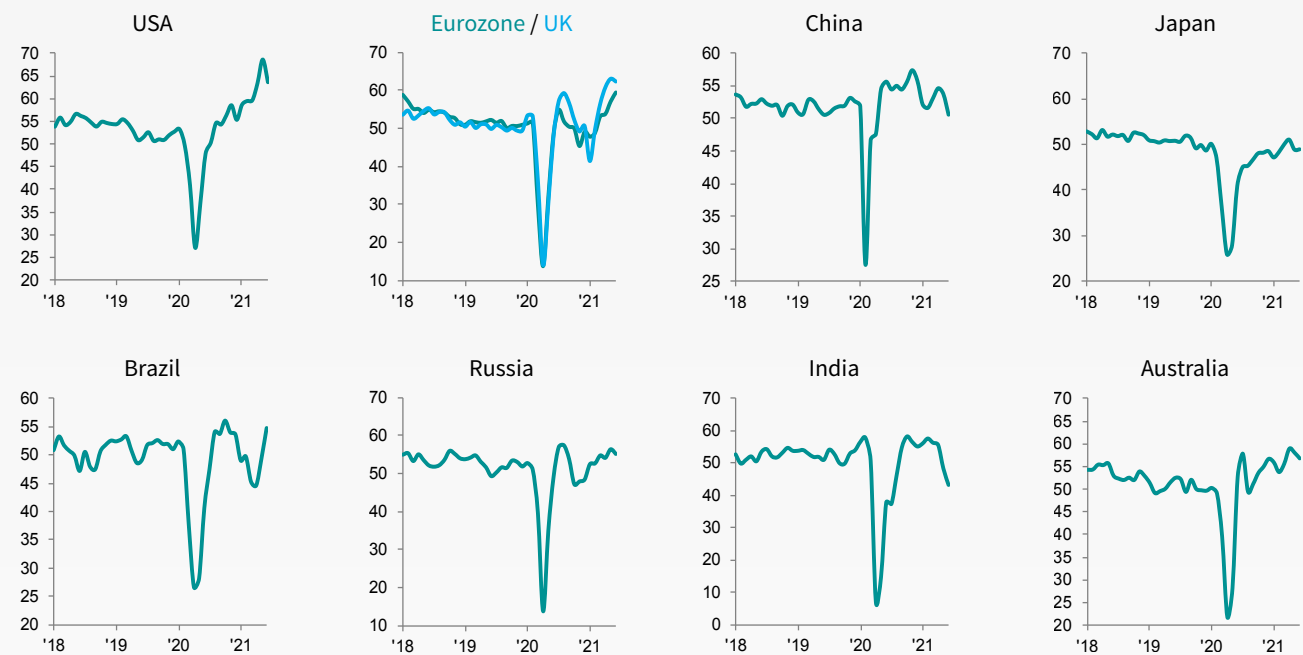
Composite Output Index, Jun '21

sa, >50 = growth since previous month



Composite Output Index

sa, >50 = growth since previous month



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Methodology

The IHS Markit Eurozone Composite PMI® is compiled by IHS Markit from responses to questionnaires sent to survey panels of manufacturers in Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece, and of service providers in Germany, France, Italy, Spain and Ireland, totalling around 5,000 private sector companies. The panels are each stratified by detailed sector and company workforce size, based on contributions to each country's GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each manufacturing and services survey variable, at the country level. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Eurozone level indices for manufacturing and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Composite eurozone level indices are calculated by weighting comparable manufacturing and services indices using eurozone manufacturing and services annual value added*.

The headline composite figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index

and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

July data were collected 12-27 July 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

*Source: Eurostat.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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