

IHS Markit Eurozone Composite PMI®

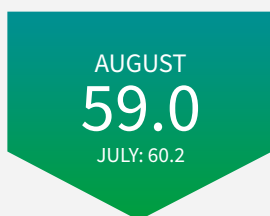
Eurozone still growing at considerable pace despite slight slowdown

Key findings

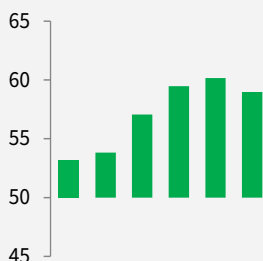
Eurozone Composite Output Index: **59.0**

Eurozone Services Business Activity Index: **59.0**

Eurozone Composite Output Index



Last six months



The euro area economy recorded another marked expansion in business activity during August, with momentum only fading slightly from July's 15-year peak. Jobs growth continued and was at one of the fastest rates seen in over two decades, as firms swiftly acted to boost operating capacities amid strong demand for goods and services.

After accounting for seasonal factors, the IHS Markit Eurozone PMI® Composite Output Index signalled another considerable month-on-month expansion in business activity during August. At 59.0, the headline figure was below 60.2 seen in July (which was the highest since June 2006), but still indicative of one of the fastest rates of growth seen in the past 15 years.

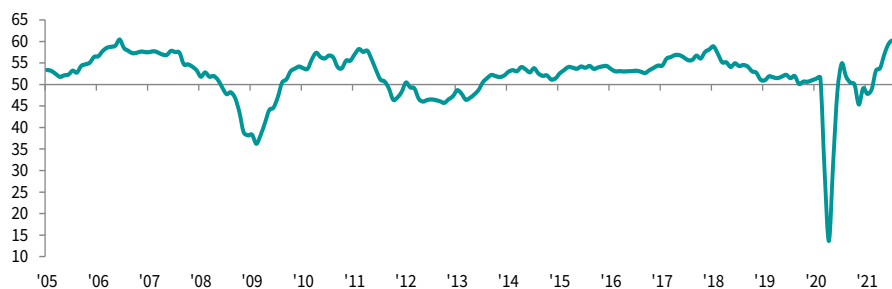
There were softer increases in output across both the manufacturing and service sectors in August. While goods production growth was sharp, it was the weakest in six months. Service sector output on the other hand increased at the second-fastest rate since mid-2006, behind July.

Of the monitored euro area constituents, Italy bucked the otherwise broad-based slowdown trend and registered the fastest output growth for over 15 years. Nonetheless, only France registered a softer increase in output than Italy in August. Ireland was the fastest-growing nation, followed by Spain and Germany.

August saw a strong rise in new work intakes at euro area businesses once again, despite the upturn easing slightly from July. Nevertheless, the expansion in demand was convincingly stronger than its historical average (since 1998). The sector split showed new business at manufacturers growing faster than at service providers.

Composite Output Index

sa, >50 = growth since previous month



This was also the case for new export orders, although a third straight rise in international sales at service providers marked the joint-longest sequence of export growth in that sector since 2018. Overall growth in foreign demand across the euro area was strong, but eased to a six-month low.

To accommodate the rapid uptake of new work, euro area employment rose markedly in August and at a rate that was only marginally weaker than July's near 21-year high. Manufacturers recorded faster jobs growth than their services counterparts, although a slowdown at the former contrasted with the latter, where the expansion in employment was on par with July's near three-year peak.

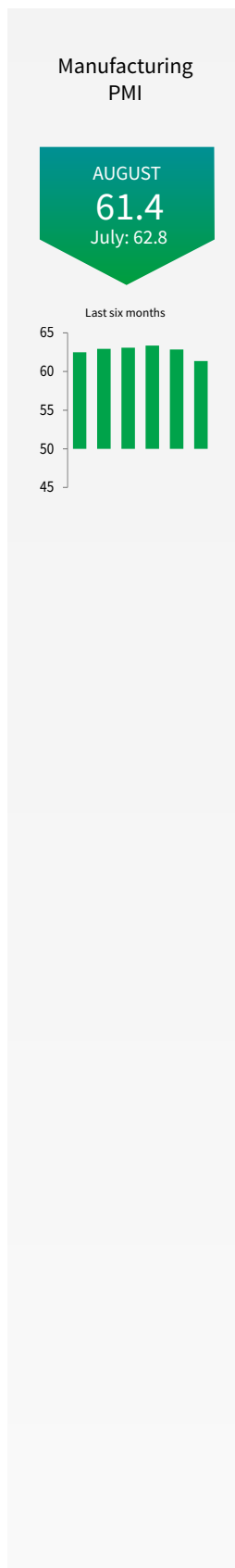
Despite increased recruitment efforts, work-in-hand continued to rise at a strong pace during August as businesses still struggled to meet demand in a timely manner. The rate of backlog accumulation was especially pronounced in the manufacturing sector, where ongoing material shortages and supplier bottlenecks constrained production.

Meanwhile, prices data signalled further substantial inflationary pressures in August. Input costs increased at a rate that was only fractionally below July's near 21-year high, and was once again driven by the manufacturing sector. Meanwhile, charge inflation eased for the first time since fees started rising again in February, but was only outpaced over the series history by those seen in both June and July.

Finally, euro area businesses remained highly confident towards future output prospects in August, although the level of optimism eased to a five-month low.

IHS Markit Eurozone Manufacturing PMI®

Eurozone manufacturing growth slows to six-month low in August



The euro area manufacturing sector registered another marked expansion during August, latest PMI® data showed, although momentum waned once again as the headline index fell to a six-month low. The final reading of the IHS Markit Eurozone Manufacturing PMI for August of 61.4 was down from 62.8 in July. This marked a second successive month in which growth has slowed in the sector since June's survey-record expansion.

All three sub-sectors registered sharp, albeit weaker, improvements in operating conditions over the month. Growth at investment goods makers continued to lead over consumer goods and intermediate goods producers, as has been the case in each of the past 12 months.

Of the monitored euro area constituents, the Netherlands once again saw the strongest improvement in manufacturing business conditions, despite growth here slowing to a five-month low. Softer expansions were also recorded in Germany, Ireland, Austria and France.

August survey data were particularly notable in Greece, which registered the highest reading in its Manufacturing PMI since April 2000. Meanwhile, Italy and Spain also observed accelerated expansions.

Goods production across the eurozone continued to expand in August, as has been the case in each month since July 2020. Although the pace of growth was the weakest in six months, it was still sharp overall and well above the historical average.

Supporting robust production schedules were continued improvements in demand for euro area goods. Total new orders increased for a fourteenth straight month in August, while new export business* also grew at a marked rate. The Netherlands, Germany and Italy performed particularly well on the export front. However, the overall rate of growth in export demand across the eurozone lost momentum in August.

To boost output capabilities, manufacturers added to their workforce numbers in August, continuing the employment growth trend which started in February and with the rate of job creation down only modestly from July's all-time high.

Elsewhere, supplier delivery times lengthened to a considerable extent once again in August amid strong demand for production materials and inputs, though the rate of lengthening eased slightly further from May's record. Latest data showed firms increasing their buying activity sharply during August. For the first time since January 2019, inventories of purchased items increased, albeit only mildly.

Meanwhile, price pressures remained stubbornly elevated midway through the third quarter. Input costs increased substantially once again amid ongoing supply chain issues and strong input demand. However, latest data showed the first slowdown in cost inflation since input prices started rising again in August 2020.

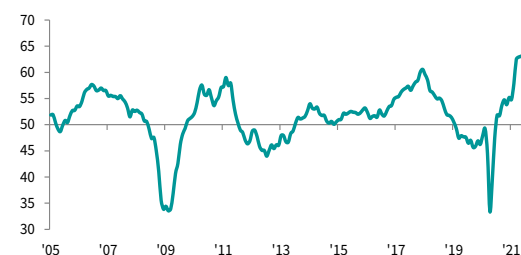
A similar trend was observed in output charges, where the rate of inflation remained historically steep after July's survey high, but eased for the first time since January.

Lastly, euro area manufacturers recorded an optimistic outlook towards the next 12 months during August. The level of positive sentiment was strong, but eased for the second consecutive month to reach its lowest since November 2020.

* Includes intra-eurozone trade.

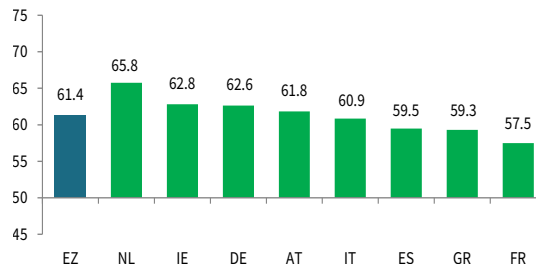
Manufacturing PMI

sa, >50 = improvement since previous month



PMI by nation, August '21

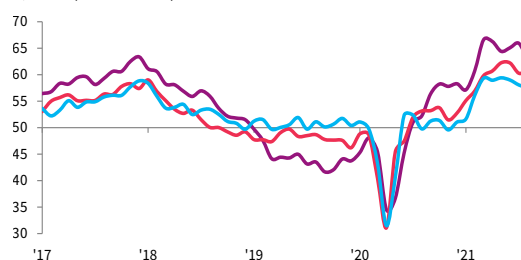
sa, >50 = improvement since previous month



PMI by nation

Germany / France / Italy

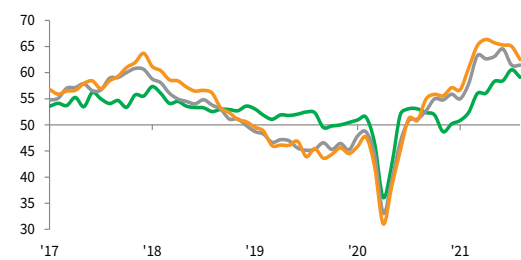
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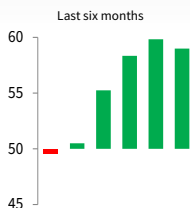
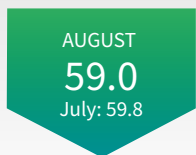
PMI by goods sector

Consumer / Intermediate / Investment

sa, >50 = improvement since previous month



Services Business Activity Index



Activity growth rates slow slightly, but maintain a strong performance

The IHS Markit Eurozone PMI® Services Business Activity Index signalled a slight loss of growth momentum in August, falling from July’s 15-year high of 59.8 to 59.0.

Ireland service providers continued to outperform their euro area peers during the latest survey period, while those in France registered the softest expansion in service sector activity. However, with the exception of Italy where growth was unchanged, rates of expansion slowed in all nations from July.

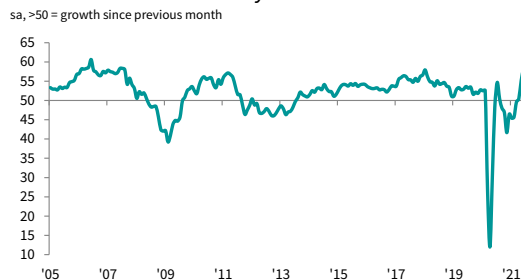
Latest survey data signalled slower growth in new business intakes. Nevertheless, the increase was notably stronger than seen on average over the series history. Although export demand growth slowed, it was the second-fastest since the series began in 2014 (behind July).

Another strong increase in service sector employment was recorded in August. The rate of jobs growth matched that seen in July, which was the strongest since September 2018. Nevertheless, backlogs of work increased for a fifth successive month.

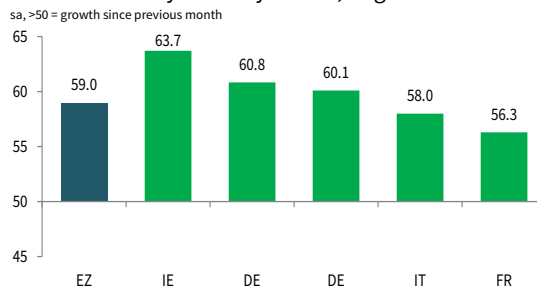
Price trends diverged in August, with a stronger increase in costs coinciding with a softer rise in selling charges. Input prices rose at the fastest pace in 13 years.

Finally, business confidence[†] slid to a four-month low, but remained historically elevated as hopes of a continued recovery supported optimism.

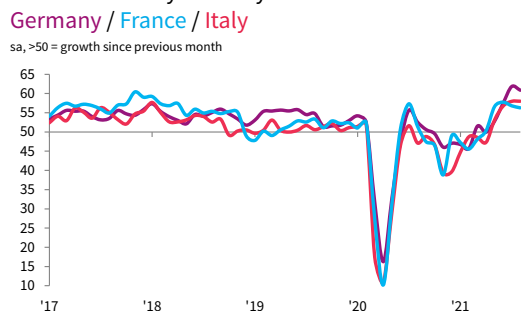
Services Business Activity Index



Business Activity Index by nation, August '21



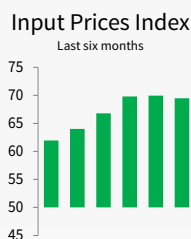
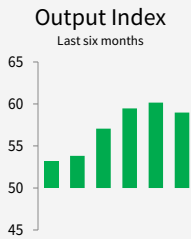
Business Activity Index by nation



[†] 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.

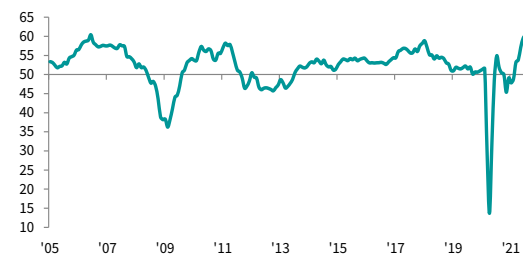
Composite index summary

Key data



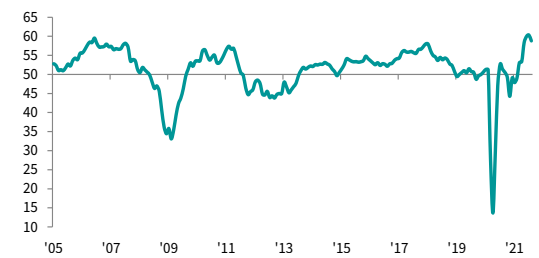
Output Index

sa, >50 = growth since previous month



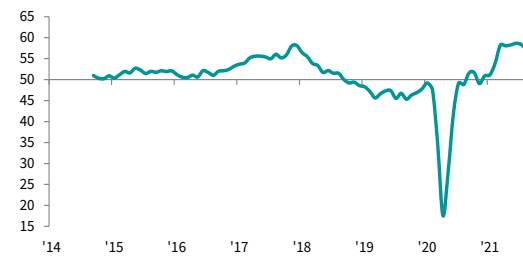
New Business Index

sa, >50 = growth since previous month



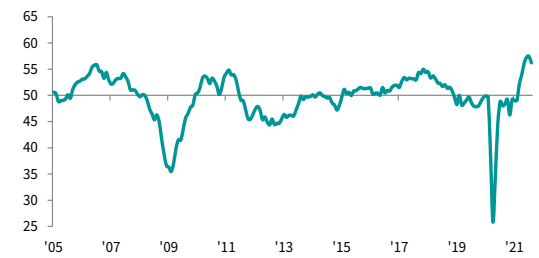
New Export Business Index

sa, >50 = growth since previous month



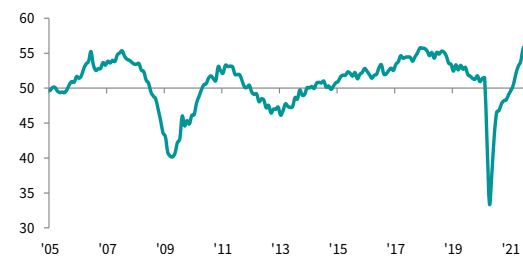
Outstanding Business Index

sa, >50 = growth since previous month



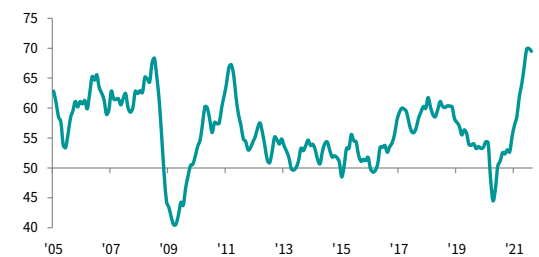
Employment Index

sa, >50 = growth since previous month



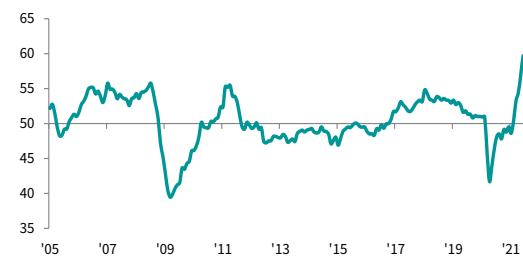
Input Prices Index

sa, >50 = inflation since previous month



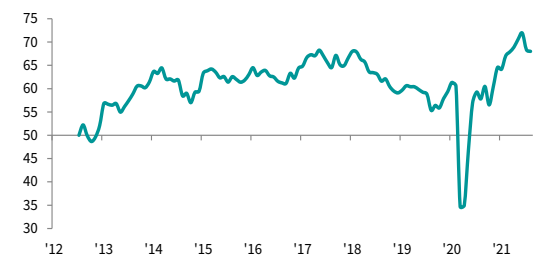
Prices Charged Index

sa, >50 = inflation since previous month



Future Output Index

>50 = growth expected over next 12 months

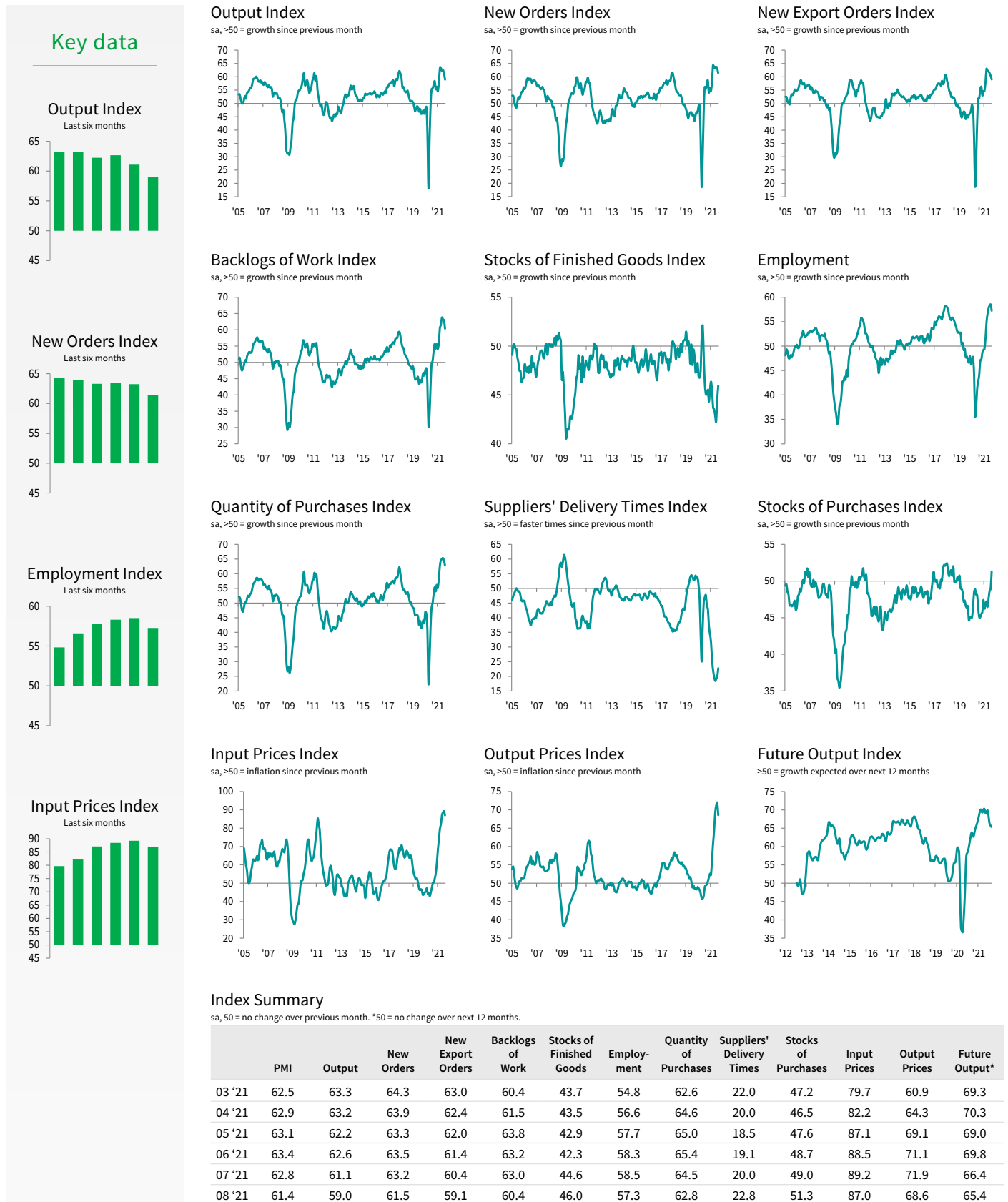


Index Summary

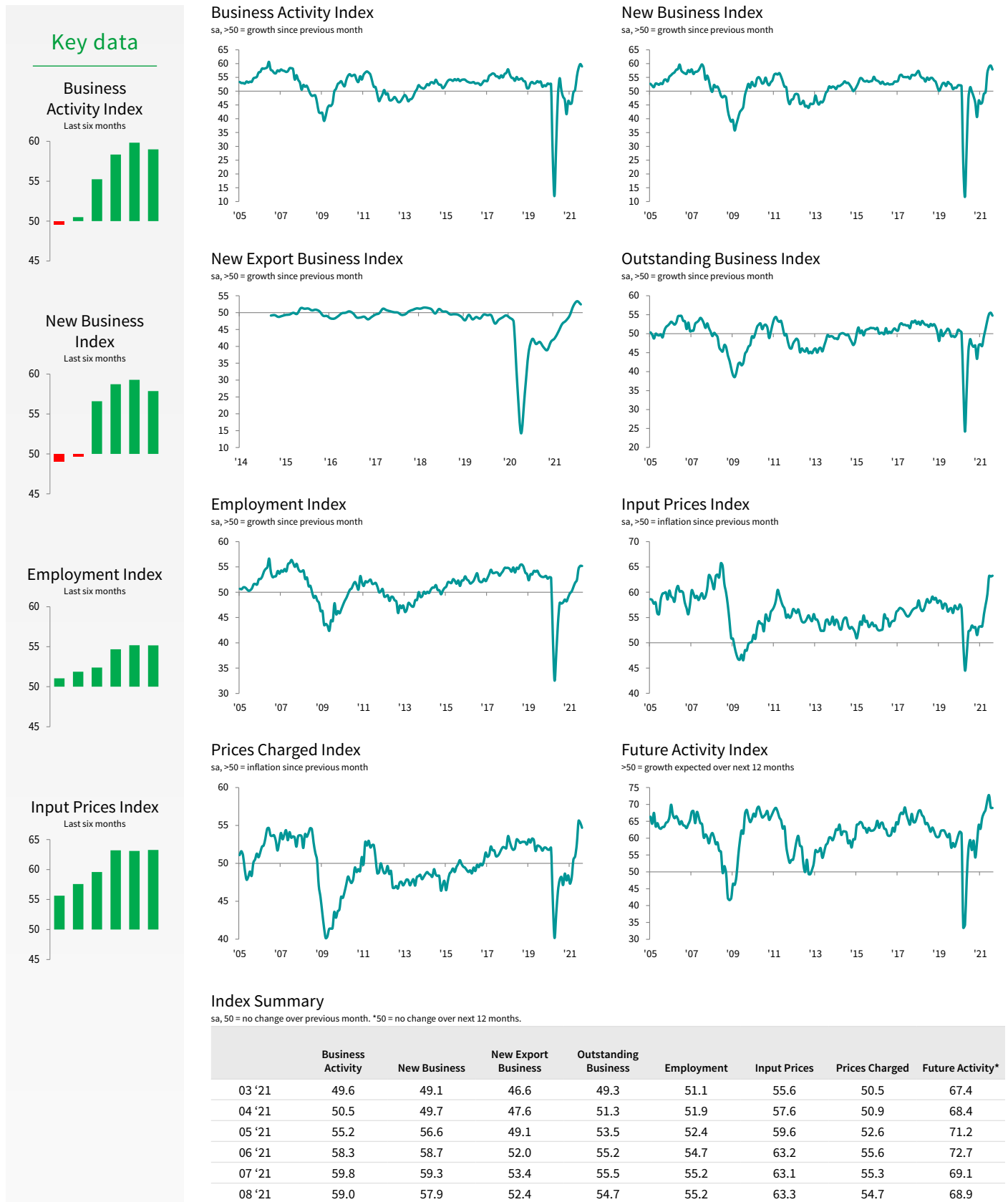
sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Output	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Output*
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
08 '21	59.0	58.8	57.1	56.2	55.7	69.5	58.3	68.0

Manufacturing index summary



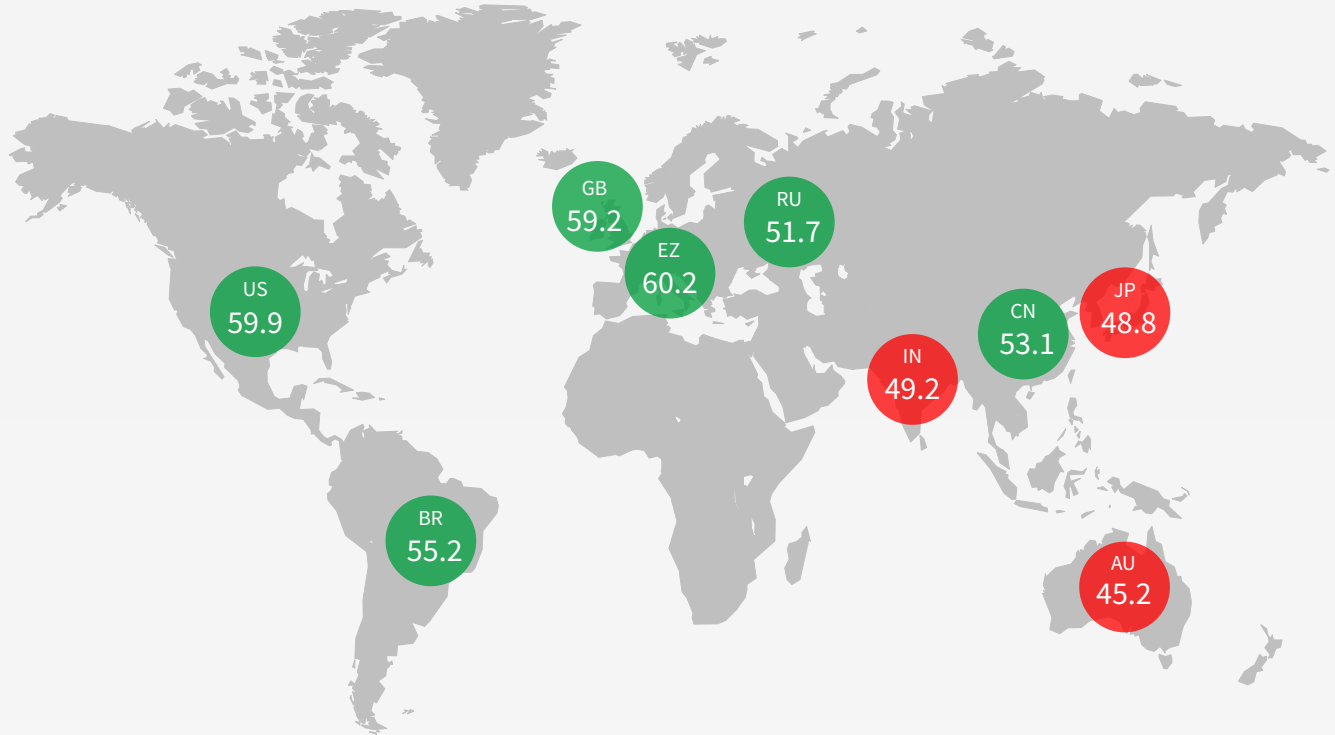
Services index summary



International PMI

Composite Output Index, Jul '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.

August data were collected 12-25 August 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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