IHS Markit Eurozone Manufacturing PMI® – final data

Eurozone manufacturing growth strongest for over two years

Key findings:
- Final Eurozone Manufacturing PMI at 53.7 in September (Flash: 53.7, August Final: 51.7)
- Output and new orders both up sharply, supported by resurgence in export trade
- Growth in region led by strong manufacturing upturn in Germany

Data collected 11-23 September

Countries ranked by Manufacturing PMI: September

<table>
<thead>
<tr>
<th>Country</th>
<th>PMI</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>56.4 (flash: 56.6)</td>
<td>26-month high</td>
</tr>
<tr>
<td>Italy</td>
<td>53.2</td>
<td>27-month high</td>
</tr>
<tr>
<td>Netherlands</td>
<td>52.5</td>
<td>7-month high</td>
</tr>
<tr>
<td>Austria</td>
<td>51.7</td>
<td>2-month high</td>
</tr>
<tr>
<td>France</td>
<td>51.2 (flash: 50.9)</td>
<td>2-month high</td>
</tr>
<tr>
<td>Spain</td>
<td>50.8</td>
<td>2-month high</td>
</tr>
<tr>
<td>Greece</td>
<td>50.0</td>
<td>7-month high</td>
</tr>
<tr>
<td>Ireland</td>
<td>50.0</td>
<td>4-month low</td>
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</tbody>
</table>

Germany led the upswing in regional manufacturing activity, with the respective PMI here hitting its highest level for 26 months. The Italian manufacturing sector also performed well, with growth also the strongest for over two years.

A solid improvement in operating conditions was seen in the Netherlands, whilst modest growth was registered in France and Austria. In contrast, Spain posted only a slight expansion while Greece saw no change and Ireland’s manufacturing recovery stalled.

Overall, manufacturing output and new orders received by euro area goods producers increased at considerable and accelerated rates during September. Growth rates in each instance were the strongest in over two-and-a-half years, although gains were principally centred on Germany.
A noticeable feature of the upturn in manufacturing new orders was the relative resurgence of export trade, with latest data showing a third successive month of growth and the sharpest gain since February 2018.

Strong gains in new work placed some pressure on firms, as evidenced by a solid rise in backlogs of work during September. Growth in work outstanding was the sharpest for nearly two-and-a-half years, although this failed to prevent further job losses as manufacturers sought productivity gains and control over costs given the uncertain near-term outlook. That said, the drop in employment was the weakest since February and noticeably slower than in recent months.

Firms also utilised inventories wherever possible to meet swelling production and order book requirements. Stocks of purchases and finished goods both declined markedly, with the drop in warehouse inventories the sharpest since the start of 2010.

Ongoing delays in the delivery of inputs also encouraged higher degrees of stock utilisation. Average lead times deteriorated for an eighth successive month and to the greatest degree since May. A rise in purchasing activity amongst eurozone manufacturers, the first recorded for 22 months, added to pressure on vendors.

Meanwhile, there was little change in prices during September. Input costs were marginally higher overall, albeit with some divergence in trends across the region. For instance, Germany saw a noticeable fall in prices, but Ireland registered a marked rise.

Meanwhile a slight fall during September ensured that output charges overall declined for a fifteenth successive month. Competitive pressures and a still-fragile demand environment weighed on pricing power.

Finally, confidence about the future improved during September to reach its highest level since April 2018. Italian manufacturers were the most confident, followed by German and Dutch goods producers.

* Includes intra-eurozone trade.

Comment

Commenting on the final Manufacturing PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

“The eurozone’s manufacturing recovery gained further momentum in September, rounding off the largest quarterly rise in production since the opening months of 2018. Order book growth and exports also accelerated, indicating a welcome strengthening of demand. Job losses consequently eased as firms grew more upbeat about prospects for the year ahead, with optimism returning to the highs seen before the trade war escalation in early 2018.

“The recovery would have been far more modest without Germany, however, where output has surged especially sharply to account for around half of the region’s overall expansion in September. Germany’s performance contrasted markedly with modest production growth in Spain, slowdowns in Italy and Austria, plus a particularly worrying return to contraction in Ireland. Excluding Germany, output growth would have weakened to the lowest since June.

“Divergent export performance explains much of the difference between national production trends, with Germany the stand-out leader in terms of growth in September, led by a strengthening of demand for investment goods such as plant and machinery.

“Encouragingly, optimism about the future rose not only in Germany but also in France, Italy, Spain and Austria, hinting that the upturn could broaden out in coming months. Without a more broad-based recovery, the sustainability of the upturn looks at risk, with additional worries fuelled by rising Covid-19 infection rates.”

Ends-
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