

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Eurozone PMI[®]

Eurozone growth remains muted at start of 2020

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 50.9 (50.9 in December). Unchanged.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.2 (52.8 in December). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 47.5 (46.1 in December). 5-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 47.8 (46.3 in December). 9-month high.

Data collected January 13-23

Flash PMI data for January indicated that the eurozone economy failed to pick up growth momentum at the start of 2020. Business activity increased at the same slight pace as was seen in the final month of 2019 as the rate of expansion in new orders remained muted.

Underlying data showed that growth of services activity eased slightly, while the manufacturing sector moved closer to stabilisation. Combined growth of the 'big-2' eurozone economies picked up, but this was offset by near-stagnation across the rest of the single-currency area.

The 'flash' IHS Markit Eurozone Composite PMI[®] was unchanged at 50.9 in January, signalling a further muted increase in activity across the euro area economy. The rate of expansion has remained broadly stable since the start of the final quarter of 2019, running at the weakest for around six-and-a-half years.

The overall expansion in business activity was again centred on the service sector. That said, services activity rose at a slightly weaker pace than in December. Meanwhile, manufacturing production remained in contraction, but the rate of decline eased to the softest in five months.

IHS Markit Eurozone PMI and GDP



The ongoing muted pace of output growth reflected a lack of momentum in new order inflows. New business increased for the second month running in January, but the rate of expansion remained marginal. There were signs of manufacturing new orders nearing stabilisation at the start of the year, with the rate of decline in new work easing to the softest since November 2018. This was also the case with regards to manufacturing new export business.*

While rates of growth in output and new orders remained muted at the start of the year, companies were increasingly confident regarding the year-ahead outlook for activity. Business sentiment rose to a 16-month high, largely thanks to a fifth successive improvement in confidence among manufacturers amid signs that the worst of the recent downturn has passed.

Confidence in the outlook for output encouraged companies to take on additional staff in January. The rate of job creation quickened from that seen at the end of 2019, but remained muted amid further job cuts at manufacturers. Rises in operating capacity enabled companies to deplete backlogs of work again at the start of 2020.

The rate of input cost inflation quickened to an eight-month high, but remained relatively muted. In turn, companies raised their selling prices at a pace that was broadly in line with those seen through the second half of 2019.

A sharp and accelerated increase in input costs was recorded in the service sector, while the current sequence of decline in manufacturing input prices was extended to eight months.

The flash estimate is typically based on approximately 85% of the final number of replies received each month, covering all countries included in the final PMI readings. However, only national data for France and Germany are published.

The 'big-2' eurozone economies of France and Germany saw a positive start to the year, with combined output growth at a five-month high. **Germany** in particular showed signs of recovery as overall output rose for the second successive month amid a first increase in new orders since June last year. A stronger expansion in services activity and a less marked decline in manufacturing production contributed to the improving picture.

The recent solid performance of the **French** economy continued in January as both output and new orders rose for the tenth month running. Rates of expansion softened, however, amid weaker growth in the service sector.

The **rest of the euro area** showed signs of weakness. Output growth slowed to a six-and-a-half year low, signalling a near-stagnation in business activity outside Germany and France. In fact, new order volumes were unchanged and firms raised staffing levels only fractionally.

**Includes intra-eurozone trade.*

Comment

Commenting on the flash PMI data, Andrew Harker, Associate Director at IHS Markit said:

"While the year may have changed, the performance of the eurozone economy was a familiar one in January. Output growth was unchanged from the modest pace seen in December, signalling that the economy failed again to record a pick-up in growth momentum.

"The failure of growth to accelerate was in spite of some areas of positivity. The service sector

remained in expansion, while the worst of the manufacturing downturn looks to have passed and industry appears to be moving towards stabilisation. France and Germany continued to grow, while business confidence across the single-currency area jumped to a 16-month high.

"On the other hand, weakness was evident outside the 'big-2', with new orders unchanged and growth of business activity slowing to near-stagnation.

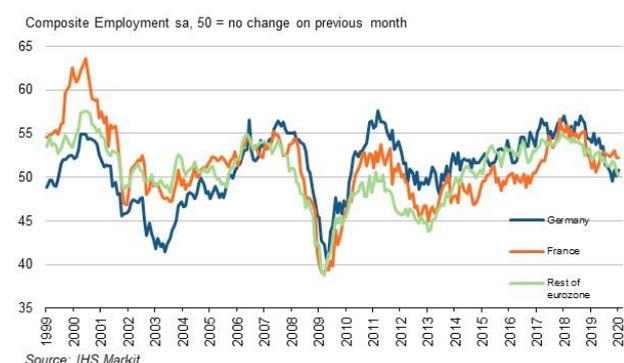
"Overall, a stable picture for both growth and inflation will likely reassure the European Central Bank that they are safe to keep monetary policy fixed for now while carrying out a strategy review."

-Ends-

Core v. Periphery PMI Output Indices



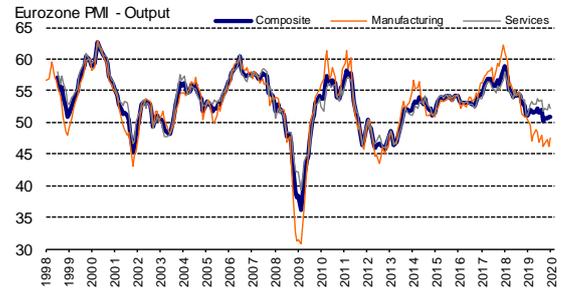
Core v. Periphery PMI Employment Indices



Summary of January data

Output	Composite	Rate of output growth unchanged.
	Services	Activity increases modestly.
	Manufacturing	Softer decline in manufacturing production.
New Orders	Composite	Slight rise in new business.
	Services	New order growth softens.
	Manufacturing	Slowest fall in new work since November 2018.
Backlogs of Work	Composite	Backlogs of work continue to fall.
	Services	Marginal increase in outstanding business.
	Manufacturing	Work-in-hand declines solidly.
Employment	Composite	Employment rises at slightly faster pace.
	Services	Rate of job creation remains solid.
	Manufacturing	Staffing levels decline again in January.
Input Prices	Composite	Input cost inflation sharpest since last May.
	Services	Fastest rise in input costs for nine months.
	Manufacturing	Eighth successive reduction in input prices.
Output Prices	Composite	Further slight increase in output prices.
	Services	Output charges rise modestly.
	Manufacturing	Rate of decline in selling prices unchanged.
PMI⁽³⁾	Manufacturing	PMI at nine-month high of 47.8.

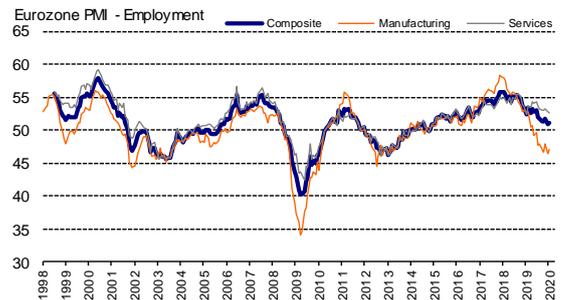
Output



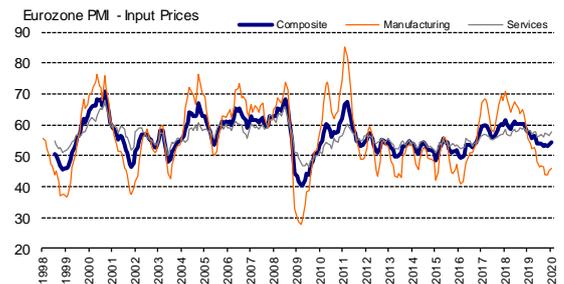
New business



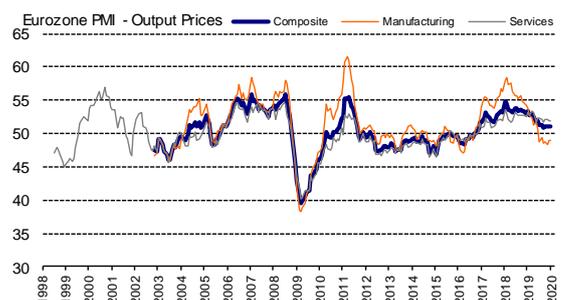
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final January data are published on 3 February for manufacturing and 5 February for services and composite indicators.

The Eurozone *PMI[®]* (*Purchasing Managers' Index[®]*) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* data.

The average differences between the flash and final *PMI* index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Eurozone Composite Output Index ¹	0.0	0.2
Eurozone Manufacturing <i>PMI[®]</i>	0.0	0.1
Eurozone Services Business Activity Index ²	0.0	0.3

The *Purchasing Managers' Index[®]* (*PMI[®]*) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI[®]* surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

Notes

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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