

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 3rd February 2021

IHS Markit Eurozone Composite PMI[®] – final data

Includes IHS Markit Eurozone Services PMI[®]

Service sector leads further contraction of eurozone economy

Key findings:

- Final Eurozone Composite Output Index: **47.8** (Flash: 47.5, December Final: 49.1)
- Final Eurozone Services Business Activity Index: **45.4** (Flash: 45.0, December Final: 46.4)

Data collected 12-26 January

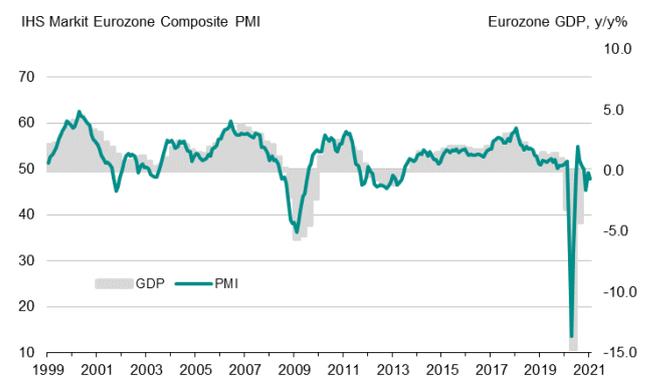
The eurozone's private sector endured a challenging start to 2021, with output declining for a third successive month and at an accelerated rate. This was highlighted by the seasonally adjusted **IHS Markit Eurozone PMI[®] Composite Output Index** which recorded 47.8 in January, down from 49.1 in the previous month.

Services was once again the main drag on the economy, with activity in this sector contracting for a fifth successive month and also at a sharper rate than in December. Manufacturing remained a bright spot, with production rising for a seventh successive month albeit at the lowest rate in this growth sequence.

Of the largest eurozone members, only Germany recorded a rise in private sector output during January, although growth here weakened to its lowest level for seven months. All other nations recorded a contraction in activity, although there were noticeable divergences.

Solid falls were seen in France and Italy, while inclement weather in Spain exacerbated the effects of local restrictions designed to deal with the pandemic and led to a noticeable drop in activity. In Ireland, the unwinding of Brexit-related December stockpiling by manufacturers and the twin impact of lockdowns and new UK trading arrangements on service providers led to a sharp contraction of activity at the start of the year.

IHS Markit Eurozone Composite PMI



Sources: IHS Markit, Eurostat.

Countries ranked by Composite PMI*:

Germany	50.8 (flash: 50.8)	7-month low
France	47.7 (flash: 47.0)	2-month low
Italy	47.2	3-month high
Spain	43.2	2-month low
Ireland	40.3	8-month low

* Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.

Latest eurozone data indicated a solid fall in levels of incoming new work for a fourth month running. Ongoing restrictions related to dealing with COVID-19 remained the primary factor weighing on sales across the bloc, especially in local markets as export business continued to improve, rising modestly for a second month in succession.

Meanwhile, a net fall in staffing levels was recorded during January, extending the current downturn to 11 months. However, the rate of contraction was marginal and the weakest in the current sequence of falling job numbers. Firms were again able to comfortably keep on top of workloads as evidenced by another drop, albeit marginal, in levels of work outstanding.

Meanwhile, inflationary pressures – especially in manufacturing – intensified during January. According to the survey data, input cost inflation accelerated to the sharpest in two years. Competitive pressures and the challenging business environment served however to restrict pricing power. Output charges declined modestly in January and for an eleventh successive month.

Finally, confidence about the future remained in positive territory during January, with the degree of optimism little-changed since the previous month. Sentiment was firmly linked to hopes of a successful rollout of a COVID-19 vaccine in the coming months.

Services

The IHS Markit Eurozone PMI® Services Business Activity Index fell further below the 50.0 no-change mark in January, slipping to 45.4 from December's 46.4. Latest data marked the fifth successive month in which the index has posted a reading below the 50.0 no-change mark.

All five nations covered by the index registered falls in activity since the previous month, led by Ireland, which recorded its sharpest drop since last May. France and Germany recorded the weakest drops in activity.

Lower aggregate regional activity was again closely linked to a similar-sized drop in services new business volumes, which declined for a sixth successive month. Another drop in new export sales was also recorded, with the rate of contraction again sharp despite easing to the lowest for nearly a year.

Staffing levels also continued to fall in January, although the rate of decline was marginal and the weakest in the current 11-month sequence of contraction. Growth in employment was seen in both Germany and France, which broadly offset declines in jobs elsewhere.

Meanwhile, input cost inflation edged up slightly, reaching the highest level since last August. With output charges falling at a faster rate, margins remained under pressure.

Looking ahead to the coming 12 months, confidence about the future dipped since December but remained comfortably in positive territory. Optimism was highest in Italy, followed by Spain.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

“The eurozone economy endured a predictably tough start to 2021 as ongoing efforts to contain the spread of COVID-19 continued to hit business activity, especially in the service sector. Manufacturing growth continued to help offset some of the weakness in the service sector, though even here factories saw output growth slow amid subdued demand and supply delays, often linked to the pandemic.

“A contraction of GDP therefore looks likely in the first quarter, though on current trends this should be modest in comparison to the falls seen in the first half of 2020.

“However, with virus containment measures likely to constrain euro area economies in the coming months, and potentially well into the second quarter given the slow vaccine roll-out, the focus will be on the need to sustain supportive fiscal and monetary policymaking for some time to come, notably to prevent further intensifying job losses in the hardest hit sectors, such as hospitality, tourism, travel and retail.

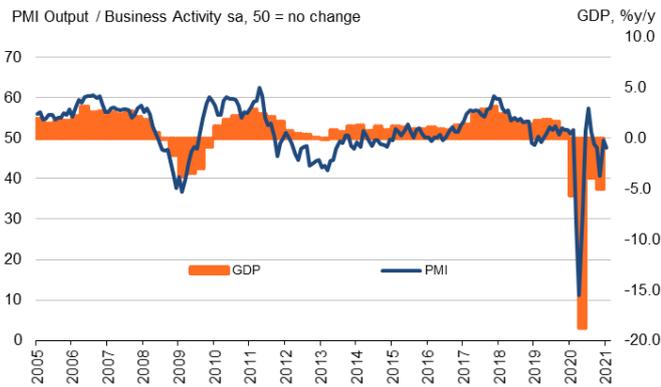
“Rising costs have dealt a further blow to many companies, with input prices rising at the steepest rate for two years to squeeze margins. However, in many cases this reflects a short-term lack of capacity and shipping delays, which should ease in coming months, helping alleviate these price pressures.”

-Ends-

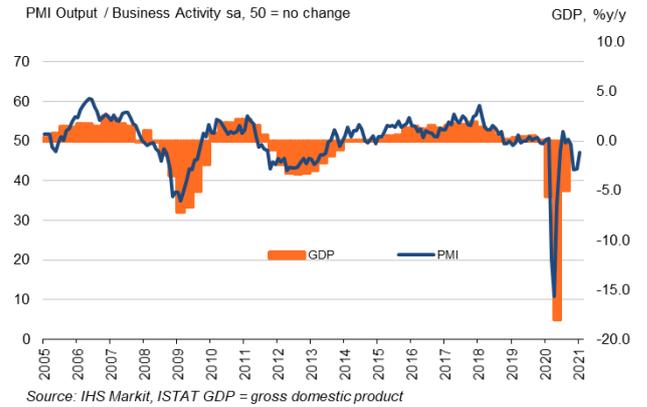
** [Click here](#) for further details of using the PMI to measure GDP in advance.

† 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.

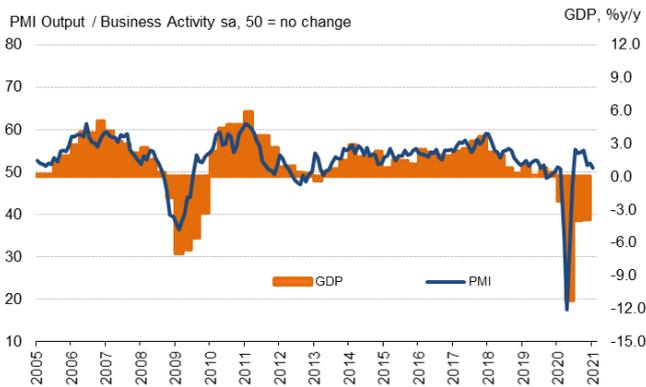
France



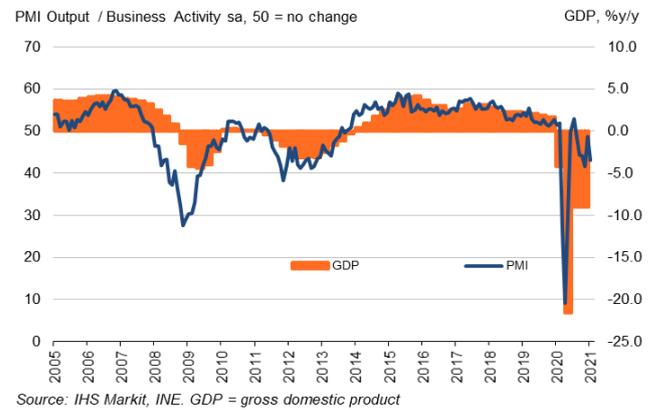
Italy



Germany



Spain



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Note to Editors:

The Eurozone Composite *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 manufacturing and services firms. 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 Eurozone Services *PMI* (*Purchasing Managers' Index*) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite *PMI* and Services *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The January composite flash was based on 88% of the replies used in the final data. The January services flash was based on 82% of the replies used in the final 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 <i>PMI</i>	0.0	0.2
Eurozone Services Business Activity <i>PMI</i>	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.

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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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