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.

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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.
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.

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

PMI Output / Business Activity sa, 50 = no change

Source: IHS Markit, INSEE. GDP = gross domestic product

Italy

PMI Output / Business Activity sa, 50 = no change

Source: IHS Markit, ISTAT. GDP = gross domestic product

Germany

PMI Output / Business Activity sa, 50 = no change

Source: IHS Markit, FSO. GDP = gross domestic product

Spain

PMI Output / Business Activity sa, 50 = no change

Source: IHS Markit, INE. GDP = gross domestic product
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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):

<table>
<thead>
<tr>
<th>Index</th>
<th>Average difference</th>
<th>Average difference in absolute terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurozone Composite Output PMI</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Eurozone Services Business Activity PMI</td>
<td>0.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>

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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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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