

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 22 January 2021**

## IHS Markit Flash Eurozone PMI<sup>®</sup>

### Eurozone economy suffers steepening decline at start of 2021

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 47.5 (49.1 in December). 2-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 45.0 (46.4 in December). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 54.5 (56.3 in December). 7-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 54.7 (55.2 in December). 2-month low.

Data collected January 12-21

Eurozone business activity fell at an accelerated rate in January as companies continued to struggle amid the ongoing pandemic and related restrictions. The rate of factory output growth weakened to the slowest since the recovery began and the service sector saw output fall at the second-fastest rate since May.

The headline flash IHS Markit Eurozone Composite PMI<sup>®</sup> fell from 49.1 in December to 47.5 in January, indicating a third successive monthly decline in business activity and the steepest deterioration since November. However, the last three months have seen the PMI remain higher than during the initial months of the pandemic in the spring of last year, suggesting that the economic impact of the second wave of virus infections has so far been considerably less severe than in the first wave.

The worsening performance in January was broad based across the eurozone, albeit with marked variations. Business activity growth in Germany waned to the slowest since the recovery began in July, but the sustained expansion contrasted with output falling at quicker rates in France and the rest of the eurozone as a whole. The flash composite PMI for France fell from 49.5 in December to 47.0, while the index for Germany merely slipped from

#### IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

52.0 to 50.8.

The rest of the eurozone collectively meanwhile saw an even steeper rate of contraction than France, with output falling for a sixth straight month as the index dropped from 46.1 to 44.7. However, like France, the decline remained less severe than in November.

The greatest signs of resilience amid the ongoing pandemic continued to be evident in manufacturing. Eurozone factory output expanded for a seventh consecutive month in January thanks to sustained growth of new orders, exports and backlogs of work. Although the overall pace of factory output growth slowed to the lowest in seven months, it remained among the highest seen over the past three years. Strong manufacturing output growth in Germany contrasted with a renewed fall in production in France and a comparatively subdued rise in the rest of the eurozone.

Some of the manufacturing slowdown was attributed by survey respondents to weaker demand growth from both corporate and consumer clients, in turn linked in many cases to the ongoing pandemic, but the January survey also saw an

increased incidence of supply constraints limiting production. With the exception of last April, when global factory closures hit supply lines, the lengthening of supplier delivery times in January was the greatest since survey data were first available in 1997.

Tighter coronavirus disease 2019 (COVID-19) restrictions were meanwhile commonly blamed for a further deterioration in service sector business activity, which fell for a fifth successive month in January. Increased rates of decline of service sector output were seen across Germany, France and the rest of the eurozone as a whole, causing the overall rate of contraction to accelerate. New business inflows into the service sector fell for a sixth month running, also declining at a steeper rate than in December. However, the latest falls in service sector output and new work were less marked than those seen in November and between March and May.

January also saw employment across the eurozone fall for an eleventh consecutive month, albeit with modest increases in employment seen in both France and Germany helping to ease the overall rate of decline to the lowest recorded since the pandemic began. Modest job losses were again reported in both manufacturing and services.

Business expectations about output in the coming 12 months pulled back from December's recent peak, largely linked to worries about the persistence of the pandemic's impact on demand, though remained the second-highest since May 2018. While sentiment about future prospects cooled slightly in the service sector, optimism among manufacturers improved to a three-year high.

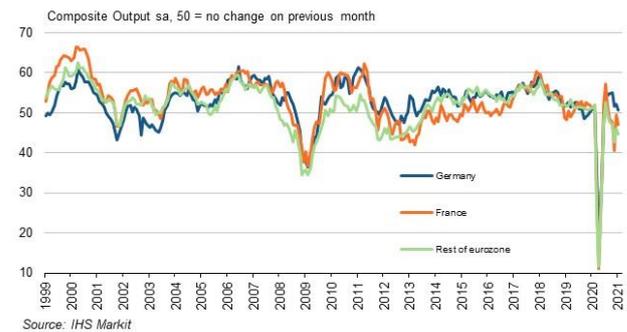
Average rates charged for goods and services meanwhile fell for an eleventh successive month, dropping at the sharpest rate since September. Although manufacturing prices rose, albeit only modestly and at a reduced rate, prices levied for services fell at the steepest rate since June, reflecting slumping demand.

Although average selling prices fell, average input costs continued to rise, increasing at the steepest rate since January 2019. Although a modest upturn in costs was seen in services, it was manufacturing where the greatest inflationary pressures were

recorded, with average input prices rising at a rate not seen since February 2018. Higher prices were commonly linked to demand exceeding supply availability for many inputs.

*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.*

### Core v. Periphery PMI Output Indices



### Core v. Periphery PMI Employment Indices



### Comment

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

*"A double-dip recession for the eurozone economy is looking increasingly inevitable as tighter COVID-19 restrictions took a further toll on businesses in January. Output fell at an increased rate, led by worsening conditions in the service sector and a weakening of manufacturing growth to the lowest seen so far in the sector's seven-month recovery."*

*"Some encouragement comes from the downturn being less severe than in the spring of last year, reflecting the ongoing relative resilience of manufacturing, rising demand for exported goods and the lockdown measures having been less*

stringent on average than last year. There are also some signs that companies and households are finding ways to adapt behaviour to the pandemic and its associated restrictions. The roll out of vaccines has meanwhile helped sustain a strong degree of confidence about prospects for the year ahead, though the recent rise in virus case numbers has caused some pull-back in optimism.

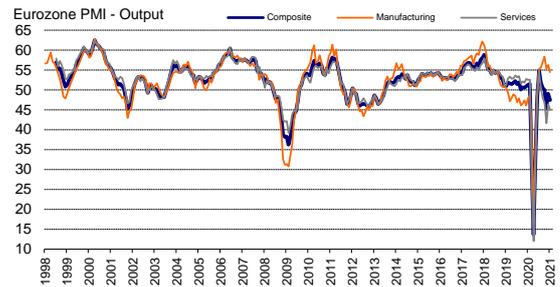
“The survey data therefore add to the view that the eurozone will see a soft start to 2021, but that the economy should pick up momentum again as the vaccine roll out gathers pace.”

-Ends-

## Summary of January data

<b>Output</b>	<b>Composite</b>	<b>Output falls at solid pace.</b>
	Services	Marked reduction in output.
	Manufacturing	Production growth softens to seven-month low.
<b>New Orders</b>	<b>Composite</b>	<b>Sharper reduction in new orders.</b>
	Services	New business decreases for sixth month running.
	Manufacturing	Slower, but still marked rise in new orders.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Outstanding work down modestly.</b>
	Services	Rate of backlog depletion unchanged.
	Manufacturing	Solid rise in work-in-hand.
<b>Employment</b>	<b>Composite</b>	<b>Employment falls marginally.</b>
	Services	Softest decline in staffing levels for 11 months.
	Manufacturing	Slight reduction in workforce numbers.
<b>Input Prices</b>	<b>Composite</b>	<b>Input prices rise at fastest pace for two years.</b>
	Services	Modest increase in input costs.
	Manufacturing	Steepest cost inflation since February 2018.
<b>Output Prices</b>	<b>Composite</b>	<b>Selling prices continue to fall.</b>
	Services	Charges decrease at sharpest pace since June.
	Manufacturing	Modest increase in output prices.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at two-month low of 54.7.

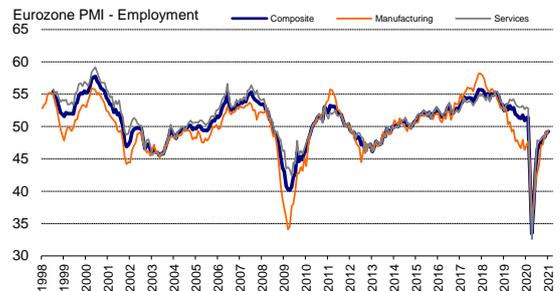
## Output



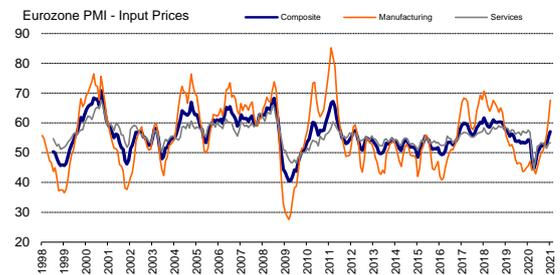
## New business



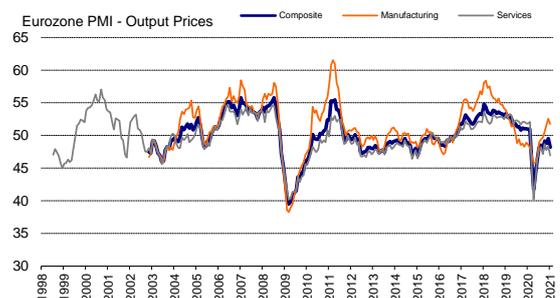
## Employment



## Input prices



## Output prices



Source: IHS Markit.

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**Note to Editors:**

Final January data are published on 1 February for manufacturing and 3 February for services and composite indicators.

The Eurozone *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) 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 <sup>1</sup>	0.0	0.3
Eurozone Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.0	0.3

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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<sup>®</sup> (*PMI*<sup>®</sup>) 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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