

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 22 October 2021**

## IHS Markit Flash Eurozone PMI®

### Supply bottlenecks curb economic growth to six-month low in October, while pushing prices higher at record pace

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 54.3 (56.2 in September). 6-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 54.7 (56.4 in September). 6-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 53.2 (55.6 in September). 16-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 58.5 (58.6 in September). 8-month low.

Data collected October 11-20

Eurozone business activity growth slowed sharply to a six-month low in October amid increasing supply bottlenecks and ongoing COVID-19 concerns, dropping most markedly in manufacturing though also cooling in services. Survey-record price increases were meanwhile reported as firms sought to pass an unprecedented rise in costs on to customers.

While job creation accelerated to the joint-highest in 21 years as firms boosted capacity to meet demand, optimism about the outlook was hit by supply concerns linked to the pandemic in manufacturing in particular.

#### IHS Markit Eurozone PMI and GDP



The headline IHS Markit Eurozone Composite PMI® fell for a third successive month in October, according to the ‘flash’ reading\*, dropping from 56.2 in September to 54.3. The decline indicates a further cooling of the rate of expansion from July’s 15-year high. However, although the October expansion was the weakest since April, the latest reading remains above the survey’s pre-pandemic long run average of 53.0 to signal above-trend growth.

Growth slowed especially sharply in Germany, down to the lowest since February, and slipped to the weakest since April in France. The rest of the region as a whole also recorded the slowest expansion since April.

By sector, services outperformed manufacturing for a second month running, the factory sector having now reported a slowdown in growth for a fourth straight month to register the weakest increase in production seen over the past 16 months.

Similarly, while growth of new orders edged higher in services, a slower rate of demand growth was seen in manufacturing. Measured overall, the resulting rise in new orders recorded during October was the slowest since April.

Weakened factory output growth – led by a renewed decline in France and near-stalling of production in Germany – was commonly attributed to supply constraints. Suppliers’ delivery times lengthened to an extent exceeded over more than two decades of survey history only by that seen back in May, as supply shortages and transportation problems continued to worsen.

The autos and parts sector reported the worst performance, with output falling sharply again in October and at an increased rate.

While the service sector saw more robust growth

than manufacturing, its rate of expansion cooled for a third month running to reach the lowest since April. Markedly weaker services growth in Germany contrasted with a slight uptick in France, though the rest of the region also saw a moderating expansion.

While some of the slowdown in services reflected a waning of the summer rebound from the fall in activity seen at the start of the year, especially weak service sector performances were recorded for travel, tourism and recreation, reflecting concerns regarding COVID-19. Conversely, strong growth was seen for healthcare, as well as media, banking and non-banking financial services.

Backlogs of work meanwhile continued to rise at an elevated pace. Although the rate of increase moderated to the lowest since April, the survey once again signalled that capacity was stretched both in manufacturing and services, with the former once again reporting an especially marked increase in uncompleted work.

Hiring was stepped up as firms sought to clear backlogs, resulting in a jobs gain that matched July's two-decade high. Jobs growth accelerated in both Germany and France, and notably was one of the fastest in 21 years in the rest of the region.

By sector, job growth edged up in both manufacturing and services, the former running below recent peaks as material shortages obviated the need for extra workers in some cases, though the latter saw the largest gain since 2007.

Shortages were meanwhile once again seen as the key driver of higher prices for many goods and services in October, leading to a survey record increase in firms' input costs. An unprecedented input cost increase was recorded in manufacturing while service sector costs rose at the sharpest rate since September 2000.

Selling price inflation likewise accelerated as firms passed higher costs on to customers, reaching the fastest in almost two decades of comparable survey history both in manufacturing and services.

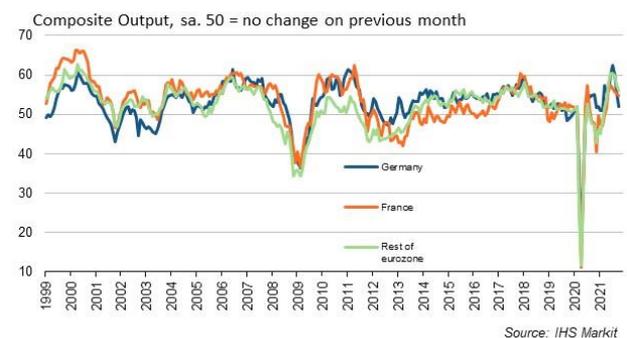
Looking ahead, future sentiment moderated for a fourth consecutive month to the lowest since February. Although the outlook brightened slightly in services, optimism in manufacturing hit the lowest for a year, largely due to concerns over the lingering impact of the pandemic on supply chains

and prices.

*\* 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.*

*\*\* exports include intra-eurozone trade.*

### 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 sharp slowdown in October means the eurozone starts the fourth quarter with the weakest growth momentum since April. A manufacturing sector beset with supply chain delays saw production growth falter to the lowest since the first lockdowns of last year. The services sector has meanwhile seen some of the summer rebound fade just as resurgent virus case numbers bring renewed concerns, notably in Germany. These worries have once again hit the consumer-facing travel, tourism and recreation sectors in particular.*

*“The ongoing pandemic means supply chain delays remain a major concern, constraining production and driving prices ever higher, both in*

manufacturing and in the services sector. Average selling prices for goods and services are rising at a rate unprecedented in over two decades, which will inevitably feed through to higher consumer prices in the coming months.

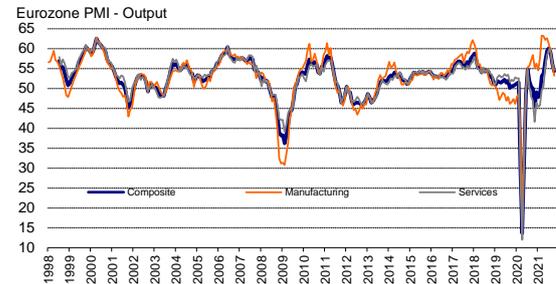
“While the overall rate of economic growth remains above the long-run average for now, risks seem tilted to the downside for the near-term as the pandemic continues to disrupt economies and push prices higher. After strong second and third quarter expansions, GDP growth is looking much weaker by comparison in the fourth quarter.”

-Ends-

### Summary of October data

<b>Output</b>	<b>Composite</b>	<b>Output growth eases to weakest since April.</b>
	Services	Rate of expansion softens to six-month low.
	Manufacturing	Slowest rise in production in 16-month sequence of growth.
<b>New Orders</b>	<b>Composite</b>	<b>Third successive slowdown in pace of expansion.</b>
	Services	Marked increase in new business.
	Manufacturing	New order growth at nine-month low.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Further marked accumulation.</b>
	Services	Backlogs continue to rise.
	Manufacturing	Steep increase in outstanding work.
<b>Employment</b>	<b>Composite</b>	<b>Rate of job creation at three-month high.</b>
	Services	Sharpest increase in employment since July 2007.
	Manufacturing	Faster rise in staffing levels.
<b>Input Prices</b>	<b>Composite</b>	<b>Record rise in input prices.</b>
	Services	Cost inflation quickest in just over 21 years.
	Manufacturing	Sharpest increase in input costs in series history.
<b>Output Prices</b>	<b>Composite</b>	<b>Charge inflation hits new record high.</b>
	Services	Fastest rise in charges since September 2000.
	Manufacturing	Record increase in selling prices.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at eight-month low of 58.5.

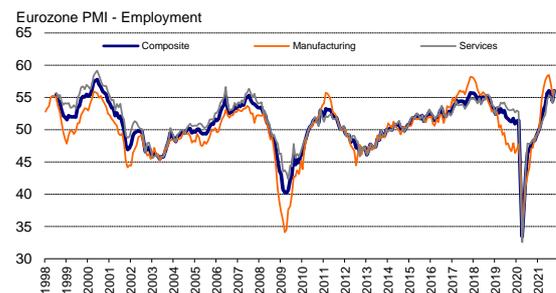
### Output



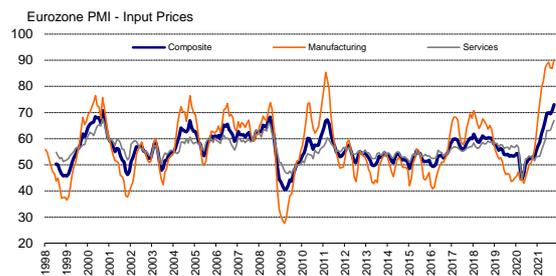
### New business



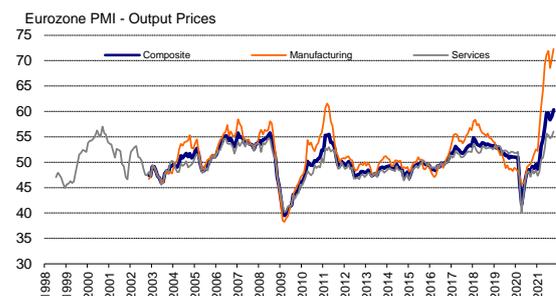
### Employment



### Input prices



### Output prices



Source: IHS Markit.

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## Note to Editors:

Final October data are published on 2 November for manufacturing and 4 November 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>2</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.1	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?"

### About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

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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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