

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 24 January 2022

IHS Markit Flash Eurozone PMI[®]

Eurozone growth slows as Omicron hits services, but manufacturers benefit from easing supply constraints

Key findings:

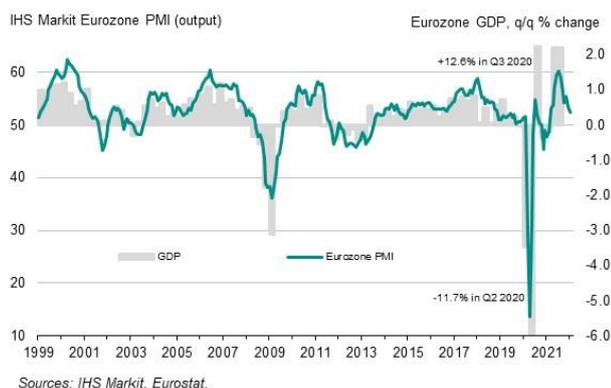
- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 52.4 (53.3 in December). 11-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 51.2 (53.1 in December). 9-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 55.8 (53.8 in December). 5-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 59.0 (58.0 in December). 5-month high.

Data collected January 12-20

Eurozone business activity growth slowed for a second successive month in January as the spread of the Omicron variant took an increasing toll on the region's economy. Although an alleviation of supply chain delays provided a welcome boost to manufacturing production, renewed COVID-19 restrictions led to a marked slowing in service sector growth.

While average prices charged for goods and services meanwhile rose a rate unsurpassed in the series so far, an easing of producer input cost inflation hinted at a cooling of upward raw material price pressures.

IHS Markit Eurozone PMI and GDP



The headline IHS Markit Eurozone Composite PMI[®] dropped for a second month running at the start of 2022, down from 53.3 in December to 52.4 in January, according to the 'flash' estimate*. The latest reading indicates the slowest rate of output growth since the recovery from lockdowns in early 2021 began last March.

However, the slowdown masked wide variations in performance by sector. Service sector output growth slowed sharply for a second month running, dropping to its lowest since last April, amid soaring COVID-19 infection rates. The rapid spread of the Omicron variant led to the reimposition of many measures to contain the virus in recent weeks, notably in Germany, France, Italy and Spain, which adversely affected consumer- and hospitality-oriented businesses in particular. According to IHS Markit's COVID-19 Containment Index, restrictions in January have risen to their tightest since May of last year across the eurozone. Companies also often reported that staff absenteeism due to illness or the need to self-isolate also inhibited activity.

Tourism and recreation activity consequently fell at a rate not seen since last February, with transportation and media work also in decline. However, many other business service providers and financial services firms continued to report solid growth, being less affected by the Omicron wave than consumer-facing industries.

Manufacturing growth meanwhile accelerated to the fastest since last August. Although staffing issues curbed output in some factories, supply constraints eased, helping boost production in many firms. Average supplier delivery delays lengthened to the least extent since January of last year, with fewer items reported in short supply and shipping delays showing signs of easing. Growth was recorded in

all major manufacturing sectors, including a second consecutive month of rising production in the auto sector.

By country, business activity rebounded in Germany after a slide into mild contraction in December, registering the strongest expansion since September thanks to a surge in factory production and a return to growth for the service sector. In contrast, growth in France hit the lowest since April, reflecting a near-stalled factory sector and a sharply weaker service sector performance. Meanwhile, growth ground almost to a halt across the rest of the region as a whole amid a renewed contraction of services activity.

The survey gauge of new orders signalled a further expansion of demand, albeit at the slowest rate since the upturn began last March. While new orders for goods increased to the greatest extent since last August, inflows of new business into the service sector slowed to near-stagnation.

Backlogs of work nevertheless continued to increase in both sectors as supply and labour constraints often inhibited efforts to expand output, despite employment once again growing solidly during the month. Manufacturing jobs growth hit the highest since last July, close to all-time highs, though service sector jobs growth waned to the lowest since last May. Overall, the rise in employment was identical to that seen in December.

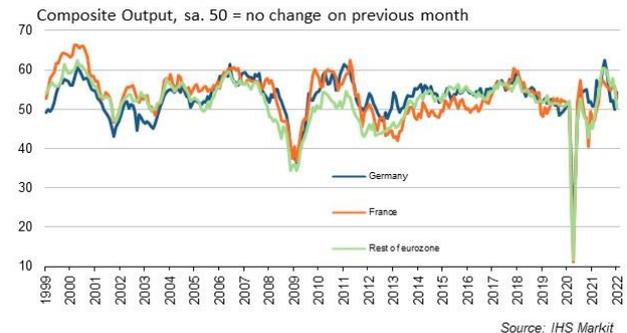
Average selling prices measured across both manufacturing and services meanwhile picked up to grow at a rate matching the survey all-time high recorded in November. A new record was seen in the service sector as costs were driven higher by energy and wage costs. Prices charged for goods leaving the factory gate also rose at an increased rate, just shy of November's survey high, though an easing in manufacturers' input price inflation to the lowest since last April was also reported, linked in part to the alleviating supply crunch.

Finally, future expectations improved marginally for a second month running. Although the Omicron wave dented optimism in the service sector, prospects among manufacturers brightened, with easing supply chain delays helping drive future output expectations to the highest since last June, rising across the region but most notably in

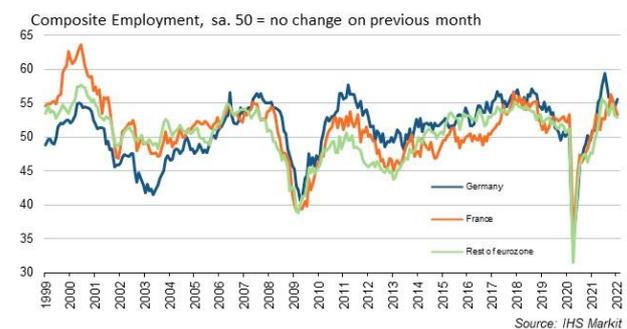
Germany.

** 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:

"The Omicron wave has led to yet another steep drop in spending on many consumer-facing services at the start of the year, with tourism, travel and recreation especially hard hit. However, so far the overall impact on the wider economy appears relatively muted, and most encouraging is the further easing of manufacturing supply chain delays despite the renewed virus wave. Not only has the alleviating supply crunch helped factories boost production, but cost pressures in manufacturing have also moderated.

"Importantly, while the Omicron wave has dented prospects in the service sector, the impact so far looks less severe than prior waves. Meanwhile, perceived prospects have improved among manufacturers, linked to fewer supply shortages,

adding to the brightening outlook.

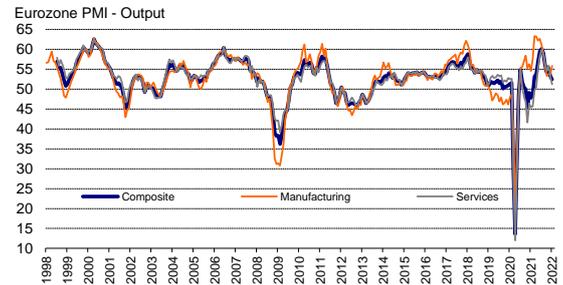
“In the meantime, however, prices for goods and services are rising at a joint-record rate as increasing wages and energy costs offset the easing in producers’ raw material prices, dashing hopes of any imminent cooling of inflationary pressures.”

-Ends-

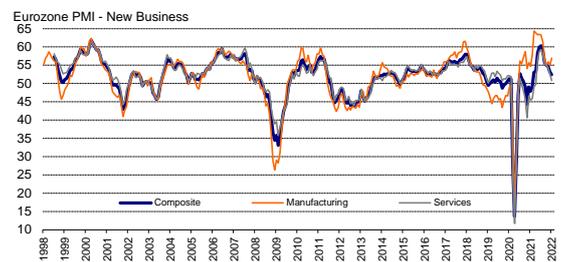
Summary of January data

Output	Composite	Output rises at weakest pace in almost a year.
	Services	Slowest increase in services activity since April 2021.
	Manufacturing	Sharpest expansion since last August.
New Orders	Composite	New order growth softens to 11-month low.
	Services	Weakest rise in new business in nine months.
	Manufacturing	New orders up sharply.
Backlogs of Work	Composite	Marked increase in backlogs of work.
	Services	Rate of accumulation at five-month high.
	Manufacturing	Slowest rise in almost a year.
Employment	Composite	Rate of job creation unchanged.
	Services	Softer rise in services employment.
	Manufacturing	Jobs growth hits six-month high.
Input Prices	Composite	Further strong rise in input costs.
	Services	Rate of input cost inflation accelerates.
	Manufacturing	Slowest increase since last April.
Output Prices	Composite	Joint-strongest increase in selling prices on record.
	Services	Fastest rise in series history.
	Manufacturing	Sharper inflation of output charges.
PMI⁽³⁾	Manufacturing	PMI at five-month high of 59.0.

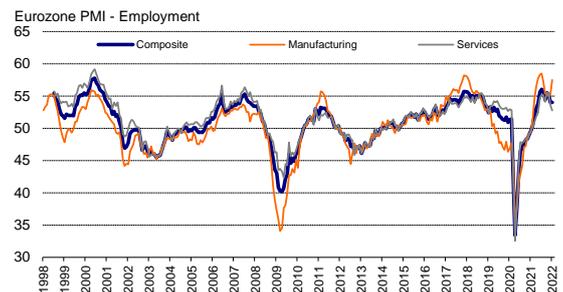
Output



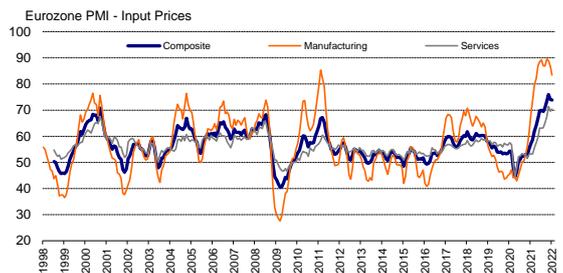
New business



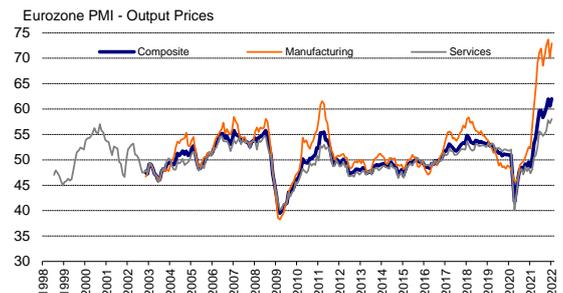
Employment



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*[®] (*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	0.3
Eurozone Manufacturing <i>PMI</i> ²	0.0	0.2
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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