

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 16 December 2021**

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

### Eurozone growth at nine-month low in December as COVID-19 wave hits service sector, but price pressures ease

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 53.4 (55.4 in November). 9-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 53.3 (55.9 in November). 8-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 53.9 (53.8 in November). 3-month high.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 58.0 (58.4 in November). 10-month low.

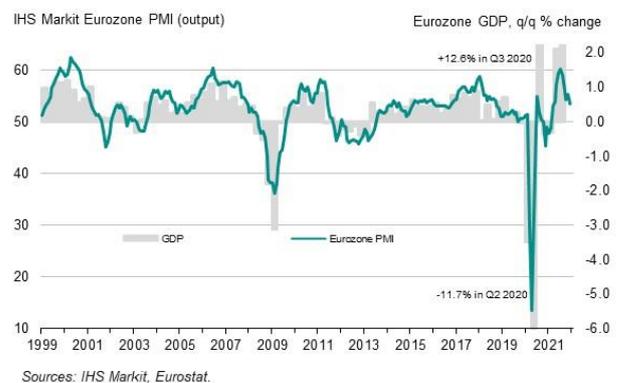
Data collected December 6-14

The pace of eurozone economic growth slowed in December as rising COVID-19 infection rates hit service sector activity, offsetting improved manufacturing growth amid alleviating supply delays. Firms' costs and average selling prices continued to rise sharply, though rates of increased cooled from November's record highs.

Business optimism meanwhile remained resilient despite rising virus case numbers, helping to sustain a solid, albeit weakened, rate of jobs growth across the region. Companies looked to pandemic-related disruptions easing over the course of 2022, most notably in relation to supply chains.

The headline IHS Markit Eurozone Composite PMI<sup>®</sup> dropped two points from 55.4 in November to 53.4 in December, according to the 'flash' reading\*, indicating an easing in the rate of output growth to the lowest since March. The decline takes the average reading for the fourth quarter to 54.3, substantially lower than the 58.4 average seen in the third quarter. As such the PMI data point to a marked weakening of economic growth in the closing quarter of 2021, albeit with the rate of growth remaining above the survey's pre-pandemic long-run average of 53.0.

#### IHS Markit Eurozone PMI and GDP



The December slowdown was led by the service sector, where business activity grew at the weakest rate since April. Slower service sector activity growth was in turn led by a steep fall in tourism and recreation activity of a similar magnitude to the declines seen at the start of the year amid rising COVID-19 infection rates and associated restrictions across the region. Inflows of new business into the service sector also slowed, dropping to the lowest since the recovery from early-2021 lockdowns began in May.

Manufacturing output growth meanwhile picked up, the factory sector outpacing services for the first time in five months, yet remaining well below rates of expansion seen earlier in the year. Despite manufacturers reporting a weakening of new order growth, December saw the largest expansion of production since September thanks to an easing of supply constraints.

Although supply chain delays continued to run far higher than anything seen prior to the pandemic, the lengthening of delivery times in December was the least marked since January. Input buying consequently rose at the fastest pace since August and pre-production inventories grew at a rate

unprecedented in more than two decades of survey history, facilitating higher output in many firms.

By country, growth stalled in Germany due to the first drop in new orders for goods and services since June 2020, ending a 17-month recovery. A renewed fall in service sector activity outweighed a pick-up in manufacturing production growth.

France meanwhile continued to grow at a solid pace, albeit down on November, as a relatively resilient service sector helped offset a decline in manufacturing output for the second time in the past three months.

The rest of the region recorded the slowest expansion since April, with growth moderating in both manufacturing and services, though rates of increase remained well above long-run averages.

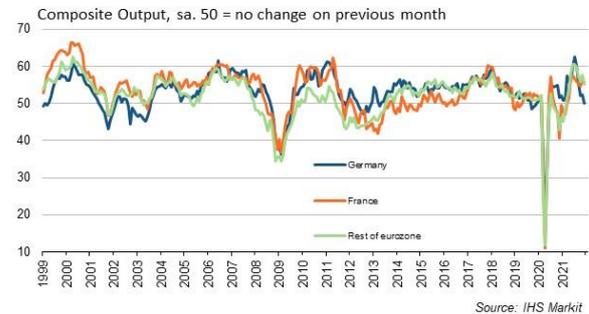
Inflationary pressures meanwhile cooled, attributable in part to the easing of supply constraints recorded during December. However, although input costs and average selling prices measured across both manufacturing and services both grew less steeply than in November, both series still showed the second-fastest rates of increase recorded in the history of the survey. Companies reported that higher shipping costs, rising energy prices and increases in staff costs again added to the upward pressure on prices.

Employment growth remained solid but slowed to a three-month low amid the easing of new business growth seen during the month. Hiring trends varied by sector and country: the strongest manufacturing jobs gain for four months helped to counteract the weakest rate of service sector job creation since May, with the latter hit harder by the resurgent COVID-19 worries. The strongest pace of hiring was meanwhile seen in Germany followed by France and then the rest of the region as a whole.

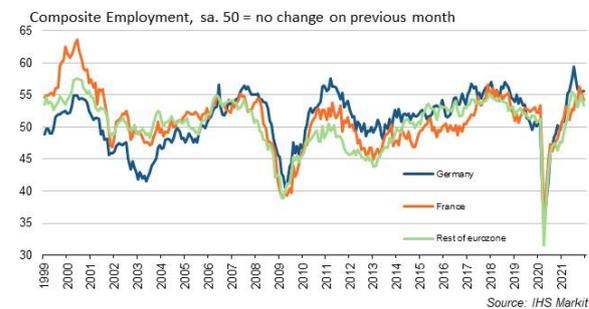
Finally, future output expectations improved marginally, in part due to hopes of further supply improvements, though remained the second-lowest since January due to worries about the lingering detrimental impact of COVID-19. Optimism about the year ahead picked up in Germany but worsened in France and on average in the rest of the region.

*\* 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 eurozone economy is being dealt yet another blow from COVID-19, with rising infection levels dampening growth in the service sector in particular to result in a disappointing end to 2021. Germany is being especially hard hit, seeing the economy stall for the first time in a year-and-a-half, but the growth slowdown is broad based across the region.*

*“Encouragement comes from the manufacturing sector, where the strain on supply chains is showing some signs of easing, in turn helping to revive factory production. Most notably autos production has risen for the first time since August.*

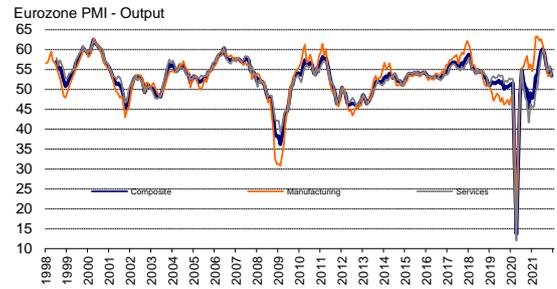
*“Easing supply constraints have alleviated some of the upward pressures on inflation, though the overall rate of price increase in December was still the second-highest on record. While inflation could soon peak, the rate of increase remains elevated.*

*“Looking ahead, the Omicron variant poses further downside risks to the growth outlook as we head into 2022, and any accompanying disruption to supply chains could result in price pressures spiking higher again.” -Ends-*

Summary of December data

|                          |                  |   |
|--------------------------|------------------|---|
| <b>Output</b>            | <b>Composite</b> | <b>Slowest increase in output since March.</b>      |
|                          | Services         | Growth of activity softest in eight months.         |
|                          | Manufacturing    | Solid rise in production.                           |
| <b>New Orders</b>        | <b>Composite</b> | <b>Softest rise in new orders for nine months.</b>  |
|                          | Services         | Further easing in rate of expansion.                |
|                          | Manufacturing    | Marked increase in new orders.                      |
| <b>Backlogs of Work</b>  | <b>Composite</b> | <b>Further solid increase in backlogs.</b>          |
|                          | Services         | Sharpest rise in outstanding business since August. |
|                          | Manufacturing    | Work-in-hand up strongly again.                     |
| <b>Employment</b>        | <b>Composite</b> | <b>Staffing levels continue to rise markedly.</b>   |
|                          | Services         | Solid job creation recorded.                        |
|                          | Manufacturing    | Sharpest increase in employment in four months.     |
| <b>Input Prices</b>      | <b>Composite</b> | <b>Rate of cost inflation remains elevated.</b>     |
|                          | Services         | Near-record increase in input costs.                |
|                          | Manufacturing    | Cost inflation softens slightly.                    |
| <b>Output Prices</b>     | <b>Composite</b> | <b>Near-record rise in selling prices.</b>          |
|                          | Services         | Sharp output price inflation signalled.             |
|                          | Manufacturing    | Rate of selling price inflation remains elevated.   |
| <b>PMI<sup>(3)</sup></b> | Manufacturing    | PMI at ten-month low of 58.0.                       |

Output



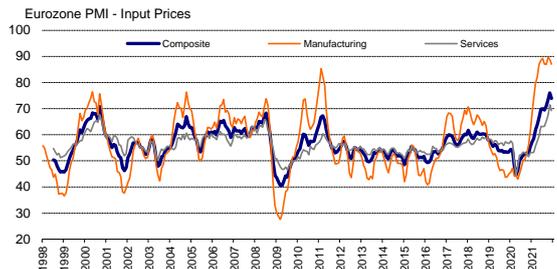
New business



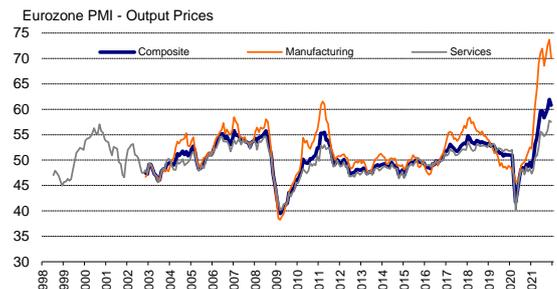
Employment



Input prices



Output prices



Source: IHS Markit.

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**Note to Editors:**

Final December data are published on 3 January for manufacturing and 5 January 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> | 0.0                | 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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