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IHS MARKIT EUROPE SECTOR PMI®

Tech services sector reclaims top spot in European growth rankings at start of 2020

KEY FINDINGS

Software & services posts fastest rise in business activity since May 2019

Pharmaceuticals & biotechnology jumps to third place with fastest expansion in 15 months

Further marked decline in autos & parts output

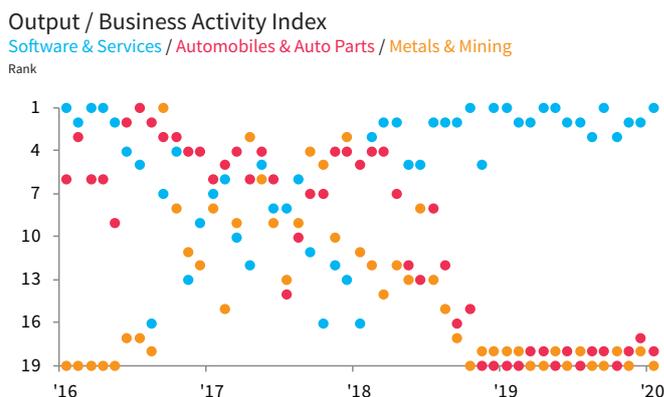
European Sector PMI® indices are compiled from responses to IHS Markit's European PMI surveys, covering over 8,000 private sector companies in 11 countries. Indices are available for the basic materials, consumer goods, consumer services, financials, healthcare, industrials and technology industry groups, and sub-sectors of these groups.

Service-related activities continued to dominate the European sector growth rankings in January. Only one pure manufacturing sector – **beverages & food** – placed in the top ten sectors, with the next highest being **technology equipment** (11th) which registered broadly no change in output since December.

The strongest growth was seen in **software & services** – the fastest since last May – followed by **banks**, where the pace of expansion eased to a three-month low. **Pharmaceuticals & biotechnology**, a mixed manufacturing-services sector, rose from tenth to third place in January with the fastest increase in activity since October 2018.

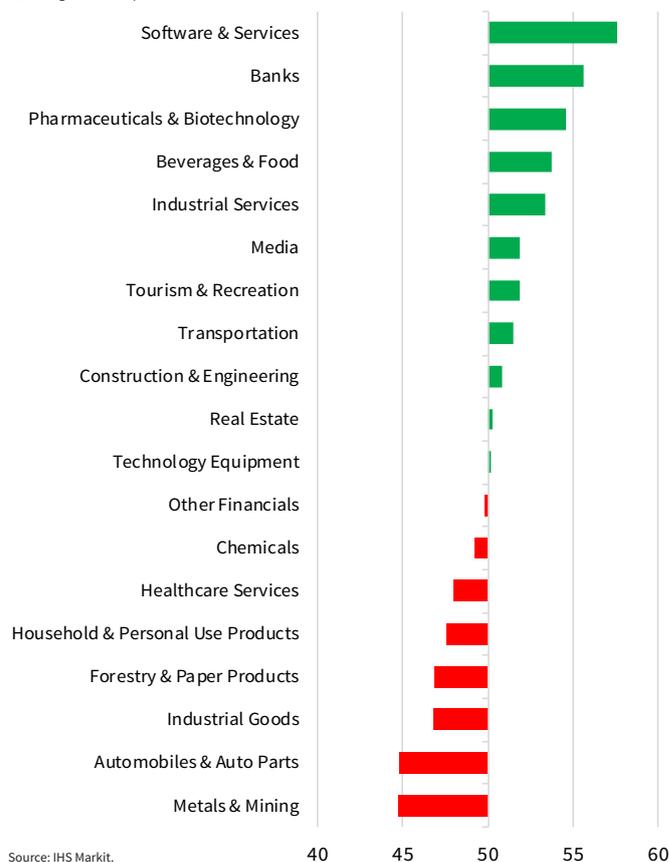
The bottom-five sectors were all located in manufacturing. **Metals & mining** and **automobiles & auto parts** were rooted to the foot of the table, as has largely been the case since late-2018. **Industrial goods, forestry & paper products** and **household & personal use products** also registered solid contractions.

Healthcare services and **other financials** were the only service-related sectors to record lower activity in January, while **chemicals** posted the slowest decline in output since December 2018.



Source: IHS Markit.

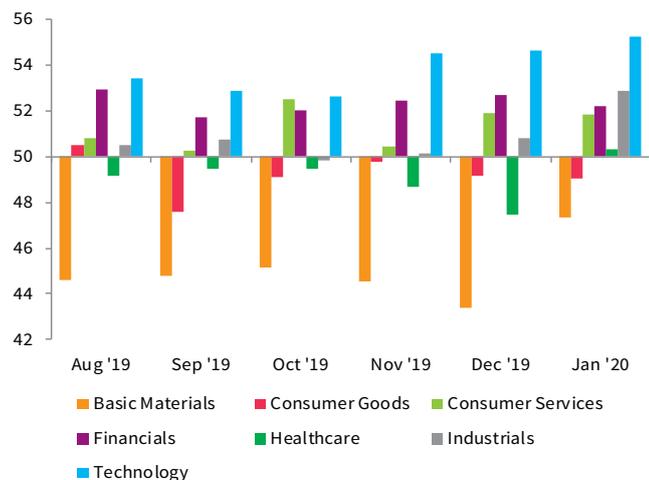
Output Index, Jan '20
sa, >50 = growth since previous month



Source: IHS Markit.

Output Index

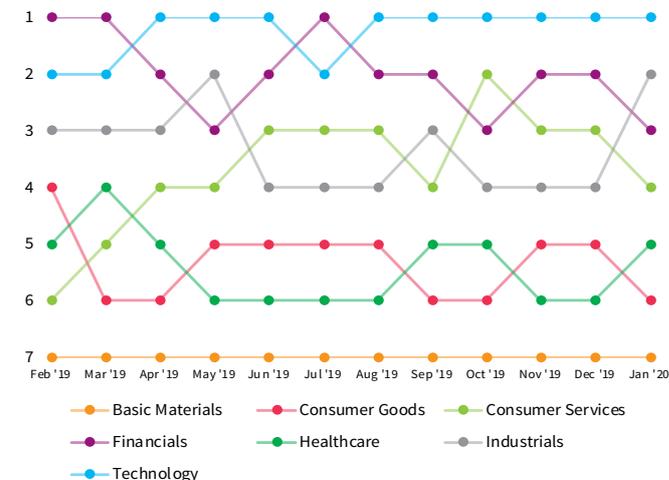
sa, >50 = growth since previous month



Source: IHS Markit.

Output Index

Rank



Source: IHS Markit.

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Methodology

The IHS Markit Europe Sector PMI® indices are compiled by IHS Markit from responses to questionnaires sent to purchasing managers in IHS Markit's European PMI survey panels, covering over 8,000 private sector companies in Germany, UK, France, Italy, Spain, Netherlands, Austria, Greece, Ireland, Poland and the Czech Republic.

IHS Markit maps individual company responses to industry sectors according to standard industry classification (SIC) codes. Europe Sector PMI indices are available for the basic materials, consumer goods, consumer services, financials, healthcare, industrials and technology industry groups, and sub-sectors of these groups.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. Survey responses are weighted by country of origin, based on sectoral gross value added. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

For manufacturing sectors, the headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

For services sectors, or sectors covering both manufacturing and services, the headline figure is the Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity or output compared with one month previously.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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 ihsmarkit.com/products/pmi.html.

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