

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 23 October 2020**

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

### Flash PMI signals renewed economic downturn at start of fourth quarter

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 49.4 (50.4 in September). 4-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 46.2 (48.0 in September). 5-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 57.8 (57.1 in September). 32-month high.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 54.4 (53.7 in September). 26-month high.

Data collected October 12-22

Business activity fell back into decline across the eurozone in October as accelerating growth of manufacturing output was overwhelmed by a steepening deterioration in the service sector amid rising COVID-19 worries. Germany was the only bright spot, as France and the rest of the region as a whole fell deeper into decline.

The rate of job losses eased, but forward-looking indicators deteriorated: inflows of new business showed a renewed decline and business optimism for the year ahead slipped to the lowest since May. Deflationary pressures meanwhile eased as business costs rose at a faster rate.

The flash IHS Markit Eurozone Composite PMI fell for a third consecutive month in October, dropping from 50.4 in September to 49.4 to register the first contraction of business activity since June. Although the index remains well above the all-time lows seen during the height of the pandemic in the second quarter, the renewed decline raises the possibility that the region could see the economy contract again in the fourth quarter.

The survey also revealed increasingly divergent trends by sector. Manufacturing output growth accelerated to the fastest since February 2018,

#### IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

supported by inflows of new orders surging at the quickest rate since January 2018. Conversely, service sector output fell for a second successive month, deteriorating at the sharpest rate since May. If the March to May period at the height of COVID-19 lockdowns is excluded, the latest drop in service sector output was the steepest for eight years. Inflows of new business into the service sector also fell at an accelerated rate.

Divergent trends were also seen across the region.

**Germany** continued to report steady growth, the flash composite index merely dipping from 54.7 to 54.5 to register a solid expansion for the fourth month running. Although manufacturing output grew at a rate surpassed only twice in the survey's history since 1996, service sector activity fell for the first time since June.

**France** meanwhile saw business activity deteriorate for the second month running, the composite flash PMI down from 48.5 to 47.3 to signal an increased rate of contraction. A second month of services decline was accompanied by a weakening in the rate of factory output growth.

**Elsewhere**, business activity fell for a third month in a row, with the pace of decline running at the

fastest since early-2013 barring the height of the pandemic. A solid expansion in manufacturing output was more than offset by an increased rate of contraction in services.

Employment was meanwhile cut across the eurozone as a whole for an eighth successive month, though the rate of job losses moderated further from April's record peak to the weakest since jobs began to be cut in March. The pace of job cuts nonetheless remained higher than at any time since June 2013 prior to the pandemic.

Job losses were seen across manufacturing and services, with the former recording the steeper rate of decline. Reduced employment was seen in Germany, France and the rest of the region as a whole, but the former showed encouraging signs of the labour market nearing stabilisation.

The ongoing need to cut employment was in part linked to companies reporting excess capacity, as indicated by a further reduction in backlogs of work. The decline in backlogs was limited to the service sector, with manufacturing reporting the largest increase since February 2018 (led in turn by Germany), underscoring the increasingly divergent trends by sector.

Looking at price trends, deflationary pressures moderated during October. Average prices charged for goods and services fell for an eighth month running, but the rate of decline eased to the slowest seen over this period. Average prices charged in manufacturing edged higher, up for the first time since June 2019, though service sector charges continued to fall. Germany saw the largest upturn in price pressures, with average selling prices up for the first time since February.

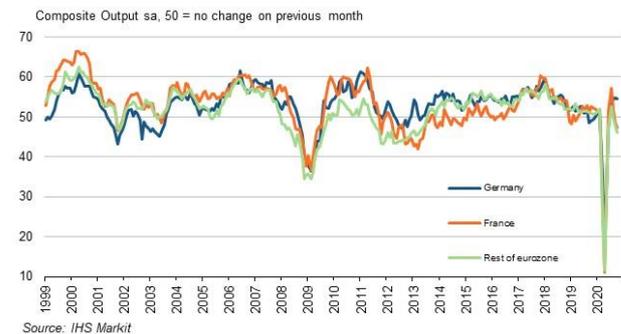
Signs of underlying price pressures building were evident via the largest rise in input costs since February. Increases were reported in both manufacturing and services.

Looking ahead, business expectations about the coming 12 months slumped to the lowest since May, deteriorating in both manufacturing and services, with the latter seeing a particularly steep drop in sentiment. Optimism was also especially subdued in France.

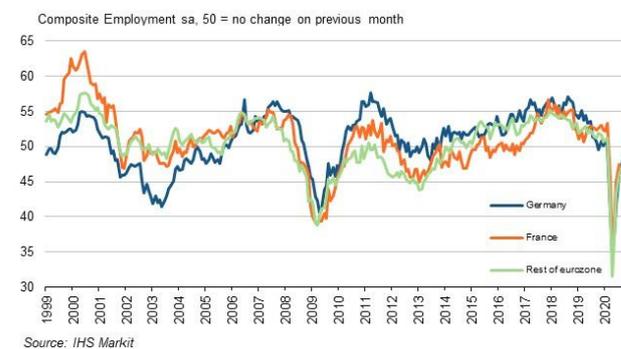
*The flash estimate is typically based on approximately 85% of the final number of replies received each month, covering all*

*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 is at increased risk of falling into a double-dip downturn as a second wave of virus infections led to a renewed fall in business activity in October.*

*“The survey revealed a tale of two economies, with manufacturers enjoying the fastest growth since early-2018 as orders surged higher amid rising global demand, but intensifying COVID-19 restrictions took an increasing toll on the services sector, led by weakening demand in the hard-hit hospitality industry.*

*“The divergence is even starker by country. While Germany is buoyed by its manufacturing sector booming to a degree exceeded only twice in almost 25 years of survey history, the rest of the region has sunk into a deepening downturn.*

*“While the overall downturn remains only modest,*

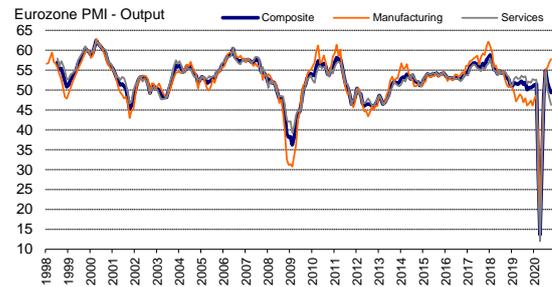
and far slighter than seen during the second quarter, the prospect of a slide back into recession will exert greater pressure on the ECB to add more stimulus and for national governments to help cushion the impact of COVID-19 containment measures, which not only tightened across the region in October but look set to be stepped up further in November.”

-Ends-

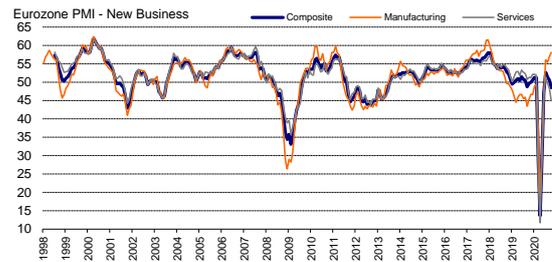
## Summary of October data

<b>Output</b>	<b>Composite</b>	<b>First decline in four months.</b>
	Services	Activity falls for second successive month.
	Manufacturing	Output growth quickens to 32-month high.
<b>New Orders</b>	<b>Composite</b>	<b>New orders decrease modestly.</b>
	Services	Sharp decline in new business.
	Manufacturing	Steep expansion in new orders.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Slower reduction in backlogs.</b>
	Services	Outstanding business decreases again.
	Manufacturing	Fastest increase in backlogs since February 2018.
<b>Employment</b>	<b>Composite</b>	<b>Staffing levels fall for eighth month running.</b>
	Services	Slower reduction in employment.
	Manufacturing	Job shedding intensifies.
<b>Input Prices</b>	<b>Composite</b>	<b>Input cost inflation ticks higher.</b>
	Services	Solid increase in input prices.
	Manufacturing	Fastest rise in input costs for 18 months.
<b>Output Prices</b>	<b>Composite</b>	<b>Softer reduction in output prices.</b>
	Services	Charges down modestly.
	Manufacturing	First increase in output prices since June 2019.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at 26-month high of 54.4.

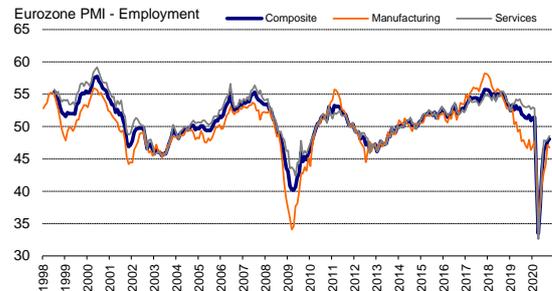
## Output



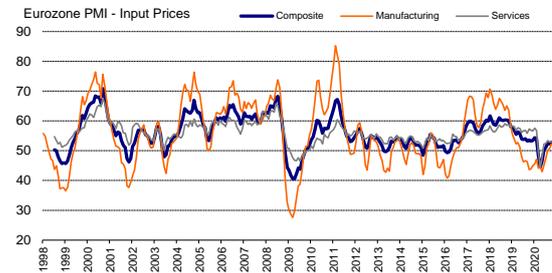
## New business



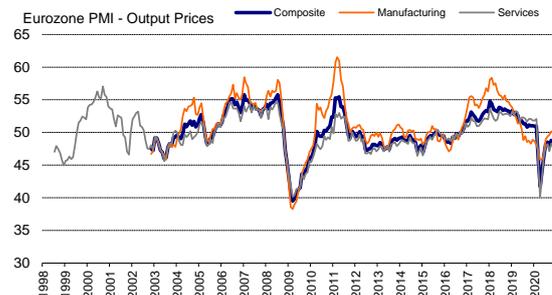
## Employment



## 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	0.2
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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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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