

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 23 September 2019**

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

### Eurozone close to stalling in September as factory downturn deepens

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 50.4 (51.9 in August). 75-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 52.0 (53.5 in August). 8-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 46.0 (47.9 in August). 81-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 45.6 (47.0 in August). 83-month low.

Data collected September 12-20

The Eurozone economy came close to stalling at the end of the third quarter as demand for goods and services fell at the fastest rate in over six years. A deepening manufacturing recession, where output fell at the sharpest pace since 2012, was accompanied by a slower service sector expansion. Jobs growth and price pressures meanwhile waned and sentiment about the outlook remained among the lowest for seven years.

The IHS Markit Eurozone Composite PMI<sup>®</sup> fell to 50.4 in September according to the 'flash' estimate, down from 51.9 in August to signal the weakest expansion of output across manufacturing and services since June 2013. The slowdown was driven by new orders for goods and services falling for the first time since January, dropping at the sharpest rate since June 2013.

Backlogs of work fell for the ninth time in the past ten months as, facing a dearth of new orders, companies occupied their workforces by working through previously placed orders. The resulting drop in backlogs of orders was the largest since November 2014 and points to the increasing development of spare capacity.

The deteriorating current business situation was matched by ongoing gloom about the outlook.

#### IHS Markit Eurozone PMI and GDP



Expectations for the year ahead remained stuck at one of the lowest levels since 2012, lifting only marginally higher since August. The survey saw ongoing concerns about trade wars and geopolitical stress, notably Brexit, exacerbating worries about gloomier economic growth and demand prospects, both locally and globally.

With new orders falling and expectations mired close to seven-year lows, September saw an increased reticence to hire new staff. Employment rose at the slowest rate since January 2015, the rate of job creation easing for a third month running.

Price pressures also eased. Average prices charged for goods and services barely rose, registering the smallest increase since October 2016, while input cost inflation hit the lowest since August 2016.

The deteriorating picture in September was led by a deepening manufacturing downturn, where output fell for an eighth straight month with the rate of decline accelerating to the steepest since December 2012. Factory orders fell at the sharpest pace since July 2012, led by a further steep loss of export\* sales, to hint at the production decline picking up further momentum in the fourth quarter.

Sentiment about the year ahead in manufacturing fell to the lowest since 2012, contributing to a further culling of factory jobs, which were cut to an extent not seen since April 2013. The slump in demand was met by further downward pressure on input prices, which fell at the steepest rate since April 2016, and also led to one of the largest falls in factory selling prices for three-and-a-half years.

A key development in recent months has been the broadening-out of the deterioration beyond manufacturing. With the exceptions of the weak growth seen at the turn of the year, which in part reflected protest-related disruptions in France, the expansion of the services sector in September was the smallest since December 2014.

New business inflows into the service sector also dried up to the second-lowest since 2014, and expectations of future growth remained among the gloomiest since 2013. The monthly increase in jobs was meanwhile the second-smallest since December 2016.

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*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 exports.*

By country, **Germany** saw output fall for the first time since April 2013, the rate of decline hitting the steepest since October 2012. Services growth slipped to the weakest so far this year, while manufacturing suffered the second-largest drop in output since June 2009. Other indices hint at further weakness ahead: composite new orders fell at the sharpest rate for seven years, and jobs growth more or less stalled to show the smallest gain in six years.

Growth of both output and new orders meanwhile slowed to four-month lows in **France**, led by a renewed deterioration in exports. Service sector growth deteriorated to the weakest since May, while manufacturing output fell for the eighth time in the past 12 months, though the decline was only marginal.

The **rest of the euro area** also saw growth soften, hitting the lowest since November 2013. Manufacturers suffered the steepest drop in output since May 2013, down for a fourth successive

month, while service sector activity growth eased to a four-month low.

## Comment

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

*“The eurozone economy is close to stalling as a deepening manufacturing downturn shows further signs of spreading to the services sector.*

*“The survey data indicate that GDP looks set to rise by just 0.1% in the third quarter, with momentum weakening as the quarter closed.*

*“The goods-producing sector is going from bad to worse, suffering its steepest downturn since 2012, but a further worrying trend is the broadening-out of the malaise to the service sector, where the rate of growth has now slowed to one of the weakest since 2014.*

*“The details of the survey suggest the risks are tilted towards the economy contracting in coming months. Most vividly, new orders for goods and services are already falling at the fastest rate since mid-2013, suggesting firms will increasingly look to reduce output unless demand revives.*

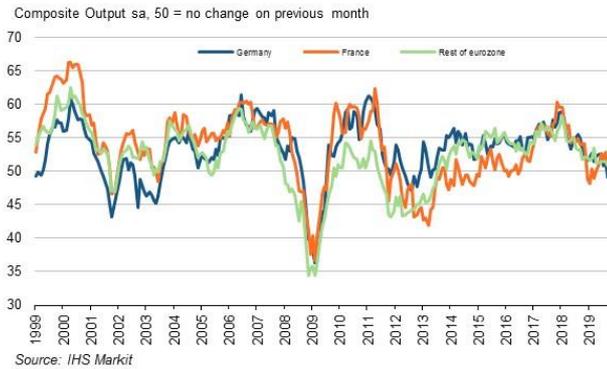
*“Furthermore, hiring is being scaled back due to the order book slowdown, with jobs growth now down to the lowest since the start of 2015. A worsening labour market adds to the risk that households could trim their spending.*

*“The overall picture of an economy on the cusp of sliding into decline is underscored by a further deterioration in firms’ pricing power, with average prices charged for goods and services barely rising in September.*

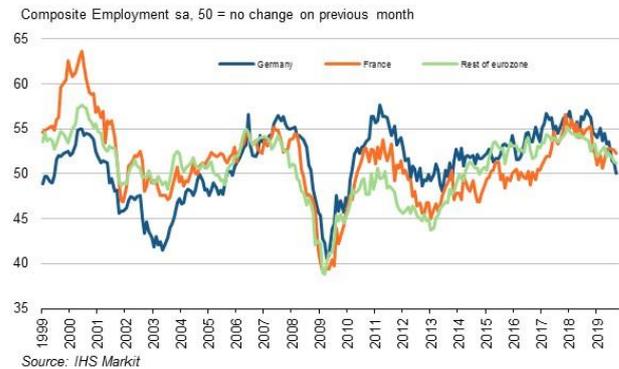
*“With survey data like these, pressure will grow on the ECB to add to its recent stimulus package.”*

-Ends-

## Core v. Periphery PMI Output Indices



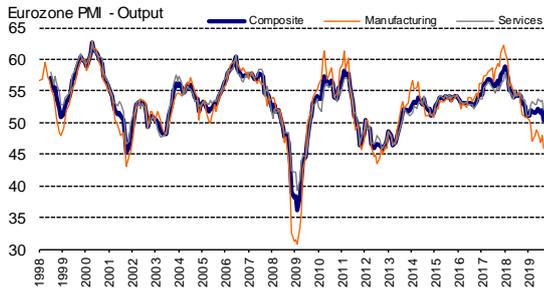
## Core v. Periphery PMI Employment Indices



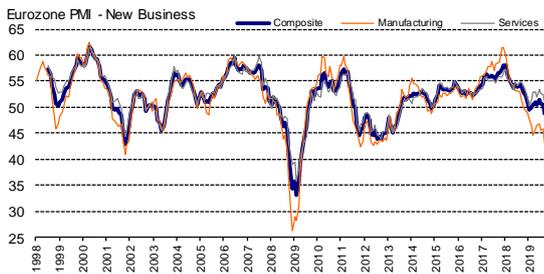
## Summary of September data

<b>Output</b>	<b>Composite</b>	<b>Marginal rise in output.</b>
	Services	Growth of activity at eight-month low.
	Manufacturing	Sharpest decline in output since December 2012.
<b>New Orders</b>	<b>Composite</b>	<b>New orders fall for first time in eight months.</b>
	Services	Marginal increase in new business.
	Manufacturing	Substantial reduction in new orders.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Sharpest drop in outstanding business since November 2014.</b>
	Services	Second successive decline in backlogs.
	Manufacturing	Marked reduction of work-in-hand.
<b>Employment</b>	<b>Composite</b>	<b>Weakest rise in employment in 56 months.</b>
	Services	Softer pace of job creation.
	Manufacturing	Sharpest job cuts for 77 months.
<b>Input Prices</b>	<b>Composite</b>	<b>Cost inflation at 37-month low.</b>
	Services	Input prices rise at slowest pace in over two years.
	Manufacturing	Fastest decline in input costs for almost three-and-a-half years.
<b>Output Prices</b>	<b>Composite</b>	<b>Selling prices up only marginally.</b>
	Services	Slight increase in output prices.
	Manufacturing	Output charges down for third month running.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at 83-month low of 45.6.

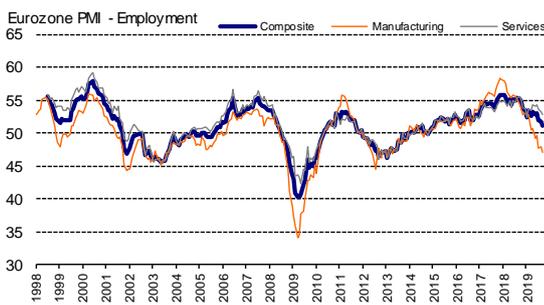
## Output



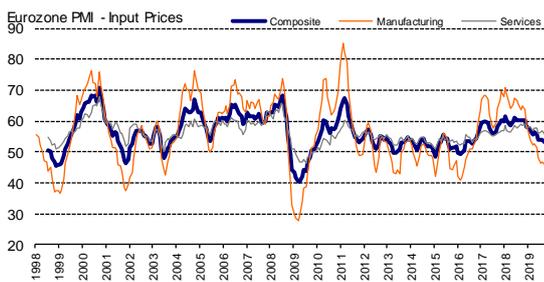
## New business



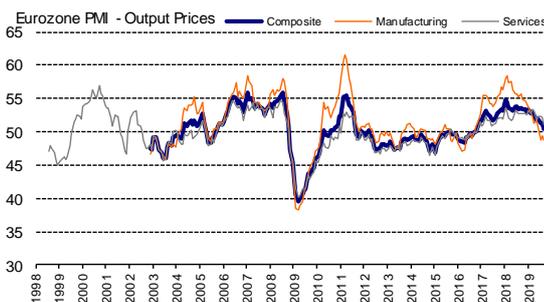
## Employment



## Input prices



## Output prices



Source: IHS Markit.

**For further information, please contact:**

**IHS Markit**

Chris Williamson, Chief Business Economist  
Telephone +44-20-7260-2329  
Mobile +44-779-555-5061  
Email [chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44207 260 2234  
E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Note to Editors:**

Final September data are published on 1 October for manufacturing and 3 October 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>2</sup>	0.0	0.1
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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