All sectors post unprecedented falls in output in April as European economy remains locked down

KEY FINDINGS

All output indices lowest since series began in January 1998

Tourism & recreation, transportation and autos output indices in single digits

Pharmaceuticals & biotechnology output falls by less than other sectors, but still a rapid overall decline

Ongoing national lockdowns to limit the spread of the coronavirus disease 2019 (COVID-19) pandemic resulted in historic declines in activity across every sector monitored by PMI® data in April. Every single European sector registered the fastest contraction in output since the sector PMI series began in January 1998.

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.

The sharpest declines in activity in April were seen in tourism & recreation (index at 3.5), transportation (8.7), and automobiles & auto parts (9.5). Moreover, the respective new business indices for all three sectors were also in single digits.

In terms of employment, 12 sectors registered unprecedented rates of job shedding in April, namely beverages & food, household & personal use products, media, tourism & recreation, banks, other financials, real estate, healthcare services, construction materials, industrial services, transportation and software & services.

At the broad level, all seven groups registered the fastest declines in output on record, led by consumer services (6.2), which includes tourism & recreation and media. In terms of employment, only healthcare and basic materials did not register record falls during April. The strongest decline in staffing occurred in consumer services, which also recorded the fastest falls in both new and outstanding business.
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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