News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Eurozone Manufacturing PMI® – final data

Eurozone manufacturing sector continues to contract sharply

Key findings:

- Final Eurozone Manufacturing PMI at 39.4 in May (Flash: 39.5, April Final: 33.4)
- Rebound in PMI, but sharp falls in new orders and output recorded nonetheless
- Job losses mount as manufacturers remain downbeat about outlook

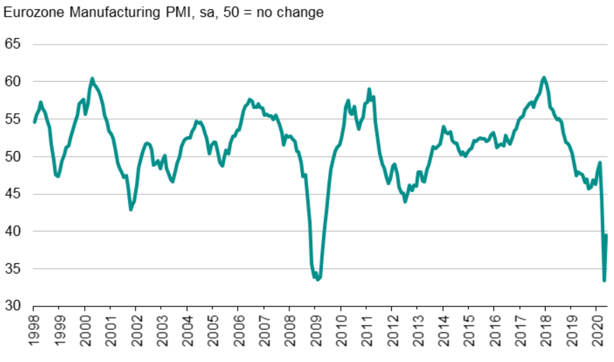
Data collected 12-21 May

Countries ranked by Manufacturing PMI: May

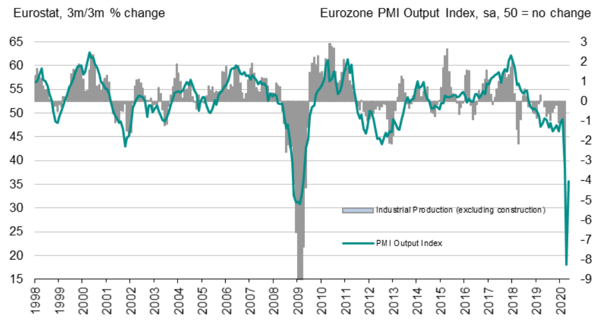
Italy	45.4	3-month high
Greece	41.1	2-month high
France	40.6 (flash: 40.3)	2-month high
Austria	40.4	2-month high
Spain	38.3	2-month high
Germany	36.6 (flash: 36.8)	2-month high

Note: Ireland and Netherlands data are released 2 June

IHS Markit Eurozone Manufacturing PMI



Source: IHS Markit.



Source: IHS Markit, Eurostat

There was a noticeable easing in the recent downturn in the euro area manufacturing sector during May, as evidenced by a six-point rise in the IHS Markit Eurozone Manufacturing PMI® to a two-month high.

However, at 39.4, compared to April's survey record low of 33.4, the index still indicated a considerable rate of contraction in operating conditions. Despite being generally looser across the region compared to April, government restrictions designed to limit the spread of the global coronavirus disease (COVID-19) continued to severely hamper the sector.

Latest data indicated that all market groups continued to record notable deteriorations in operating conditions, led by investment goods producers.

There was a general improvement in PMI readings across the region in May, although all countries continued to experience further deteriorations in operating conditions.

In most instances rates of contraction were still severe, although of note Italy – with a more than 14-point monthly increase in its PMI – was the best-performing and registered a relatively modest deterioration compared to other countries.

Germany, in contrast, recorded the lowest PMI of all countries, followed by Spain.

After April's extreme and survey-record contractions, both production and new orders placed with euro area manufacturers fell at noticeably slower rates in May. However, the net reductions remained severe, in line with ongoing restrictions in place on economic activity. Export* sales suffered a similar fate, with the latest data showing the second-sharpest fall in 23 years of data collection.

Faced with ongoing contractions in orders and output, manufacturers continued to cut back on their purchasing in May. Latest data showed another considerable reduction in purchasing activity, although this did little to alleviate supply-side challenges. May's survey indicated that average lead times continued to deteriorate. In line with other data, the lengthening of lead times was not as severe as April but nonetheless remained considerable.

Manufacturers also continued to sharply reduce their staffing levels in May, extending the current period of contraction to 13 successive months. Led by France, Spain and Germany, all nations recorded severe reductions in employment.

Despite cuts to staff numbers, manufacturers were again able to comfortably cope with overall workloads as evidenced by another steep reduction in levels of work outstanding.

On the price front, deflationary pressures continued to build. Latest data showed that input costs fell for a twelfth successive month, and to the greatest degree since March 2016. Falling prices for oil-related items were widely reported.

With the demand environment remaining challenging, and competitive pressures mounting, firms chose to cut their output charges for an eleventh successive month during the latest survey period. The rate of discounting was unchanged on April's ten-and-a-half year record.

Finally, confidence about the year ahead improved to a three-month high in May but remained inside negative territory as worries about the longer-term impacts on economic activity of the COVID-19 pandemic weighed on sentiment.

** Includes intra-eurozone trade.*

Comment

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

"The manufacturing downturn looks to have bottomed-out in April, with production falling at a markedly slower rate in May. The improvement in part merely reflects the comparison against a shockingly steep fall in April, but more encouragingly was also linked to companies restarting work as virus lockdowns were eased. The further lifting of COVID-19 restrictions in coming months should provide a further boost to manufacturers.

"While we are still set to see unprecedented falls in industrial production and GDP in the second quarter, the survey brings hope that the goods-producing sector may at least see some stabilisation – and even potentially a return to growth – in the third quarter.

"Whether growth can achieve any serious momentum remains highly uncertain, however, as demand – both domestically and in export markets – looks set to remain subdued by social distancing measures, high unemployment and falling corporate profits for some time to come.

"Headcounts continue to be cut at a rate not seen since the height of the global financial crisis in 2009 as firms scale-back capacity in line with weak demand. Prices charged for goods are meanwhile also still falling at a pace not exceeded over the past decade as manufacturers offer discounts to help clear warehouses of unsold stock. The labour market and profits could therefore deteriorate further in coming months, holding any recovery in check."

-Ends-

PMI® By IHS Markit

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Note to Editors:

The Eurozone Manufacturing *PMI*® (*Purchasing Managers' Index*®) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 89% of eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The May 2020 flash was based on 91% of the replies used in the final 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 Manufacturing *PMI*	0.0	0.1

The *Purchasing Managers' Index* (*PMI*) 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* 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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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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 https://ihsmarkit.com/products/pmi.html.