

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 16 December 2019

IHS Markit Flash Eurozone PMI®

Eurozone malaise extends in December, ending worst quarter since 2013

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 50.6 (50.6 in November). Unchanged.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.4 (51.9 in November). 4-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 45.9 (47.4 in November). 86-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 45.9 (46.9 in November). 2-month low.

Data collected December 05-13

The eurozone economy failed to pick up momentum in December, according to the flash PMI, rounding off a fourth quarter in which output rose at the weakest pace since the economy pulled out of its downturn in the second half of 2013. Employment growth slowed to a five-year low and price pressures moderated further.

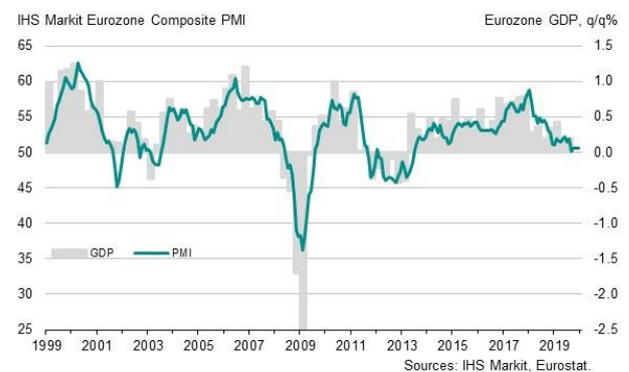
However, while the manufacturing recession deepened, the service sector showed welcome signs of resilience in the face of the headwinds from the factory downturn.

By country, France continued to provide a key support to growth in the single currency area, but Germany remained in a mild downturn, fueled by a steepening manufacturing recession. Growth in the rest of the region continued to run at the slowest for six years.

At 50.6 in December, the 'flash' IHS Markit Eurozone Composite PMI® remained at that level for a third successive month, running just above the 50.0 no-change level to indicate only very modest growth of output across the manufacturing and service sectors for a fourth consecutive month.

The December reading rounds off a fourth quarter

IHS Markit Eurozone PMI and GDP



in which output rose at the weakest pace since the economy pulled out of its downturn in the second half of 2013.

Some brighter news came from a rise in new order inflows for the first time since August, but the increase was only marginal. Backlogs of work consequently fell for a tenth straight month, albeit declining at the slowest rate since June.

The ongoing depletion of work-in-hand hinted at the further development of excess operating capacity, and was in turn a key factor causing companies to rein-in their hiring. Employment rose in December at the slowest rate since November 2014.

Weak jobs growth also in part reflected ongoing subdued optimism about prospects for the year ahead. Although up on the lows seen in the late-summer and autumn, expectations for future output dipped slightly in December, continuing to run at one of the lowest levels recorded since 2013.

Companies' concerns once again centred on geopolitical uncertainty, notably including Brexit-related disruption and US trade wars, alongside more general concerns about slowing global economic growth in 2020.

Price pressures meanwhile eased further to the weakest for over three years. Average input costs across the two sectors increased at the slowest pace since August 2016, while average selling prices for goods and services barely rose, showing the smallest monthly gain since November 2016. Lower prices were often linked to the need to offer discounts to stimulate demand amid weak sales and tough competition.

The December malaise was once again led by manufacturing, where output slumped at the fastest rate since October 2012, having now fallen for 11 straight months. New orders placed at factories fell for a fifteenth successive month, the rate of decline re-accelerating after having eased in the prior two months. Manufacturers cut jobs at an increased rate in the face of falling demand, culling headcounts for an eighth successive month and to the greatest extent since October 2012.

There was better news from the service sector, where business activity and inflows of new work both grew at the fastest rates since August, although in both cases the rates of expansion remained modest by historical standards, and below the averages seen in 2019. Job creation in the service sector eased further as a result, down to the second-lowest recorded over the past three years.

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.

By country, business activity fell for a fourth month in a row in **Germany**, albeit declining only marginally as improved service sector growth helped offset a steepening rate of decline of manufacturing output. Factory production in Germany continued to fall at one of the sharpest rates since 2012. Service sector growth, although picking up to a four-month high, remained well below rates seen earlier in the year. Brighter prospects for Germany appeared, however, via optimism about the year ahead lifting to the highest since June and new orders falling at the slowest rate since July.

France continued to outperform Germany, with business activity rising for a ninth consecutive month to end the best quarter so far this year, even

with growth losing momentum fractionally in December. However, while service sector growth ticked higher, manufacturers reported a near-stalling of production. Furthermore, in contrast to Germany, France saw business expectations slip lower, down to a six-month low.

Outside of Germany and France, the **rest of the euro area** reported unchanged output growth on that seen in November, which had in turn been the slowest for six years. An increased rate of decline of manufacturing output to the sharpest since March 2013 was countered by the largest monthly rise in service sector activity since March.

Comment

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

“The Eurozone economy closes out 2019 mired in its worst spell since 2013, with businesses struggling against the headwinds of near-stagnant demand and gloomy prospects for the year ahead.

“The economy has been stuck in crawler gear for fourth straight months, with the PMI indicative of GDP growing at a quarterly rate of just 0.1%.

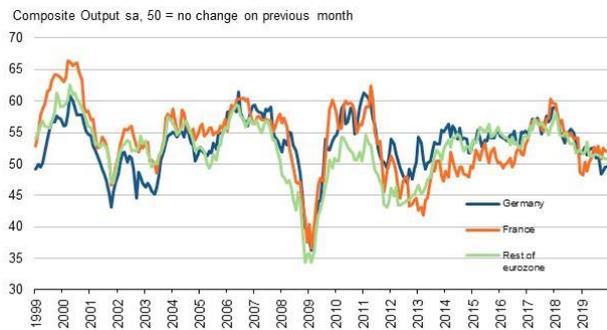
“There are scant signs of any imminent improvement. New order growth remains largely stalled and job creation has almost ground to a halt, down to its lowest for over five years as companies seek to reduce overheads in the weak trading environment and uncertain outlook.

“While service sector growth remains encouragingly resilient in the face of the manufacturing downturn, any further softening of the labour market could cause weakness to spill over.

“Germany’s steep manufacturing downturn has added to the chance of its economy contracting slightly in the fourth quarter, but France is enjoying a more resilient performance, providing a key area of support to help keep the eurozone growing.”

-Ends-

Core v. Periphery PMI Output Indices



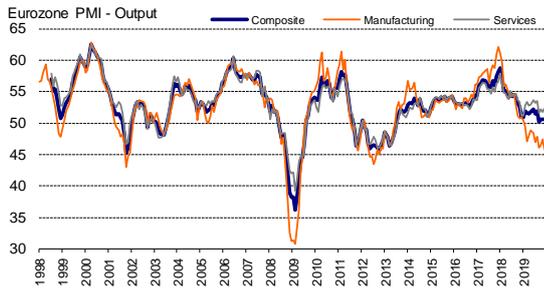
Core v. Periphery PMI Employment Indices



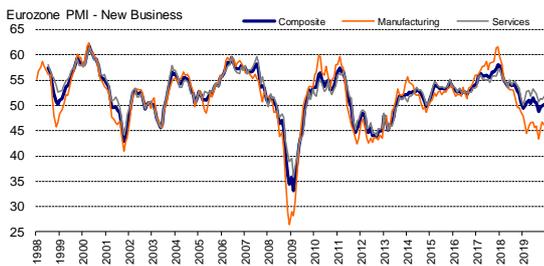
Summary of December data

Output	Composite	Slight rise in business activity.
	Services	Sharper expansion of activity.
	Manufacturing	Fastest fall in production since October 2012.
New Orders	Composite	New orders return to growth.
	Services	Fastest increase in new business for four months.
	Manufacturing	Solid decline in new work.
Backlogs of Work	Composite	Slowest fall in backlogs for six months.
	Services	Outstanding business up for first time in five months.
	Manufacturing	Rate of backlog depletion quickens.
Employment	Composite	Rate of job creation weakest in over five years.
	Services	Slowest increase in employment in almost a year.
	Manufacturing	Sharpest reduction in employment for 86 months.
Input Prices	Composite	Input prices increase at softest pace in 40 months.
	Services	Further marked rise in input costs.
	Manufacturing	Input prices continue to decline sharply.
Output Prices	Composite	Output charge inflation at 37-month low.
	Services	Slowest rise in output prices for 28 months.
	Manufacturing	Modest reduction in selling prices.
PMI⁽³⁾	Manufacturing	PMI at two-month low of 45.9.

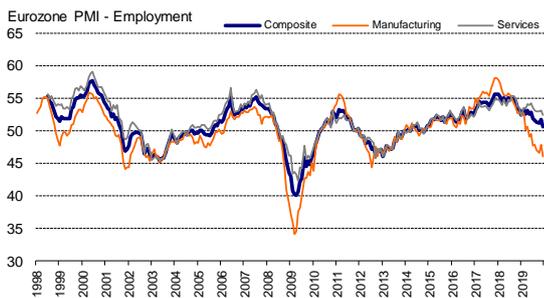
Output



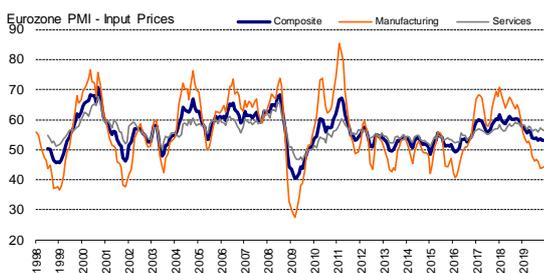
New business



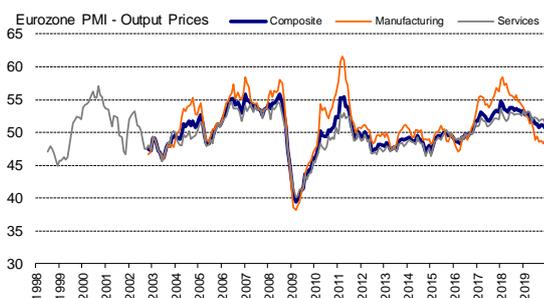
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final December data are published on 2 January for manufacturing and 6 January for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) 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 ¹	0.0	0.2
Eurozone Manufacturing <i>PMI</i> [®]	0.0	0.1
Eurozone Services Business Activity Index ²	0.0	0.3

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 subsequently revised data are available to subscribers from IHS Markit. Please contact 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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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>.

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