

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 21 May 2020

IHS Markit Flash Eurozone PMI[®]

Eurozone economic downturn shows signs of easing as lockdowns lift

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 30.5 (13.6 in April). 3-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 28.7 (12.0 in April). 3-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 35.4 (18.1 in April). 2-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 39.5 (33.4 in April). 2-month high.

Data collected May 12-20

The eurozone economy remained stuck in its deepest downturn ever recorded in May due to ongoing measures taken to control the coronavirus disease 2019 (COVID-19) outbreak, according to provisional PMI[®] survey data. However, the rate of decline eased as parts of the economy started to emerge from lockdowns.

The flash IHS Markit Eurozone Composite PMI rose from an all-time low of 13.6 in April to 30.5 in May, its highest since February. By remaining well below the 50.0 no-change level, the PMI registered a third successive monthly fall in output and continued to indicate a rate of contraction in excess of anything seen prior to the COVID-19 outbreak. The prior low of 36.2 was seen during the peak of the global financial crisis in February 2009.

The pandemic was again by far the most commonly cited cause of falling output, resulting in widespread closures of non-essential businesses, disrupting supply chains and hitting demand for a wide variety of goods and services.

The rise in the PMI nevertheless indicated a markedly slower pace of contraction compared to April's record collapse. Rates of decline eased in manufacturing and services, reflecting both a reduction in the number of companies reporting

IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

lower activity and an increase in the number of firms reporting an improvement.

The service sector business activity index picked up from 12.0 in April to 28.7, its highest since February, but social distancing and other virus-related lockdown measures continued to hit businesses such as hotels, restaurants, travel and tourism and other consumer-facing firms especially hard, resulting in the third-steepest decline ever recorded.

The factory sector's output index* meanwhile rose from 18.1 in April to 35.4 in May, albeit likewise still indicating a rapid rate of decline.

Jobs consequently continued to be cut at a rate unprecedented prior to the COVID-19 lockdowns, the rate of staff cuts easing only modestly compared to April's record. Similar rates of job shedding were seen in services and manufacturing, as firms in both sectors sought to cut capacity in line with weaker demand.

Furlough schemes were often cited as having reduced the near-term need to reduce staffing numbers, but longer-term job retention depends on the speed at which order books will refill. Backlogs

of work fell sharply again in May, registering the second-steepest deterioration on record.

Forward-looking indicators improved, though merely from low bases. Overall inflows of new business fell to the third-greatest extent ever seen by the surveys as demand slumped further across both manufacturing and services, yet showed the smallest decline for three months to add to signs that the downturn has bottomed out.

Expectations of output in the coming 12 months meanwhile rose for a second successive month from March's all-time low, albeit with the number of pessimists continuing to exceed optimists and the overall level of sentiment remaining below anything recorded before the pandemic.

Average prices charged for goods and services fell sharply for a third successive month as companies offered discounts to help stimulate sales, registering one of the largest monthly falls on record. While the rate of price cutting eased slightly in the service sector, prices charged for goods continued to fall at the fastest rate since October 2009.

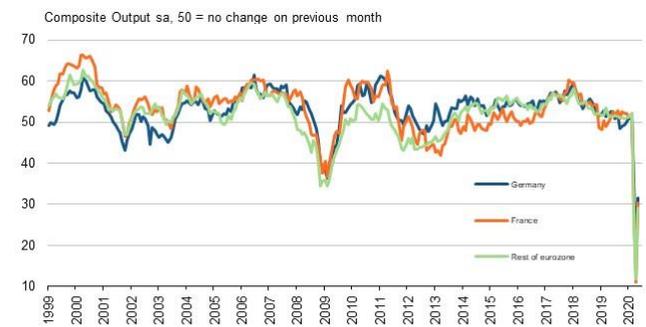
Price cuts were again often facilitated by lower costs. Having fallen in April to an extent not seen since July 2009, input costs dropped markedly again in May, the rate of decline moderating only slightly in services but reaching the fastest for over four years in manufacturing.

Looking by region, rates of output decline eased across France and Germany, as well as collectively across the rest of the region, from the unprecedented downturns seen in April, though in all cases remained fiercer than any time prior to the COVID-19 outbreak. Germany again saw a modestly milder downturn than France while the rest of the eurozone saw the steepest decline.

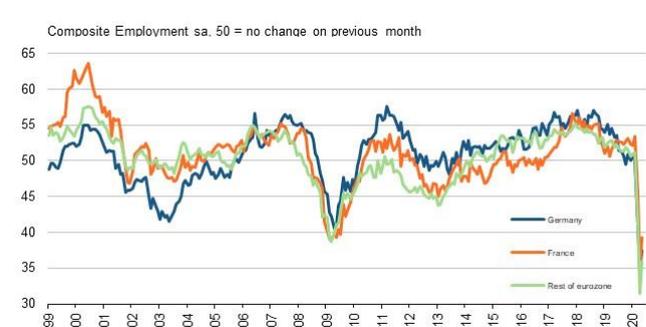
The flash estimate is typically based on approximately 85% of the final number of replies received each month, covering all countries included in the final PMI readings. However, only national data for France and Germany are published.

** Note that we focus on the manufacturing output index rather than the composite manufacturing PMI as the latter includes measures such as suppliers' delivery times and inventories, which can distort the signal when analysing the survey data in terms of estimating pure production trends.*

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 saw a further collapse of business activity in May but the survey data at least brought reassuring signs that the downturn likely bottomed out in April.

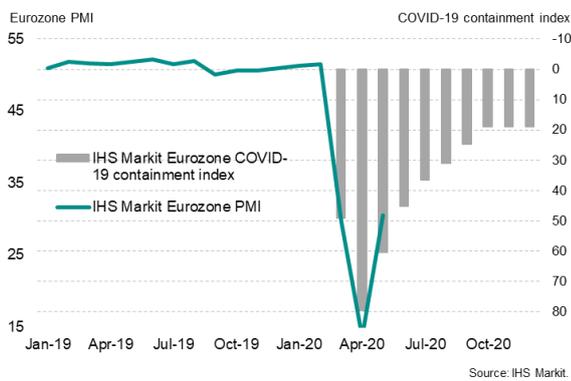
"Second quarter GDP is still likely to fall at an unprecedented rate, down by around 10% compared to the first quarter, but the rise in the PMI adds to expectations that the downturn should continue to moderate as lockdown restrictions are further lifted heading into the summer.

"All eurozone countries eased their COVID-19 containment measures to some extent in May, helping to moderate the overall rate of economic decline.

"However, while a further loosening of restrictions is anticipated in coming months, some measures to contain the virus are likely to remain in place until an effective treatment or vaccine is found.

“An additional concern is that demand is likely to remain extremely weak for a prolonged period, putting further pressure on companies to make more aggressive job cuts as government job retention schemes expire. We therefore expect GDP to slump by almost 9% in 2020 and for a full recovery to take several years.”

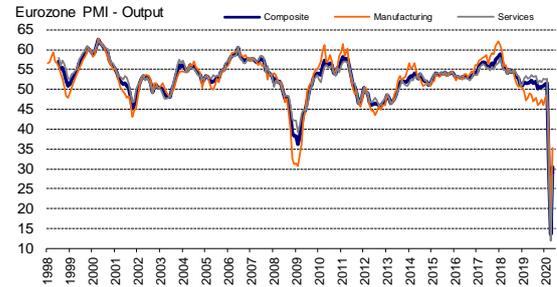
Eurozone PMI and COVID-19 containment measures*



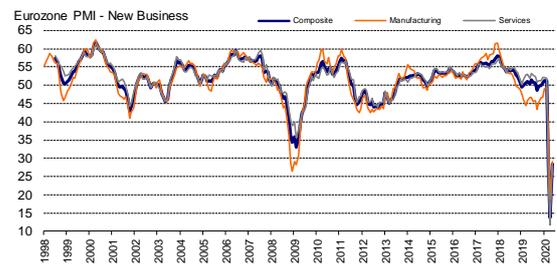
* COVID-19 containment index is based on information relating to issues such as closures of schools, non-essential shops and restaurants, as well as restrictions on public gatherings, internal mobility and external borders. We also forecast how these are expected to change in coming months, based primarily on government announcements. A reading of 100 means severe restrictions while a reading of zero indicate no restrictions.

-Ends-

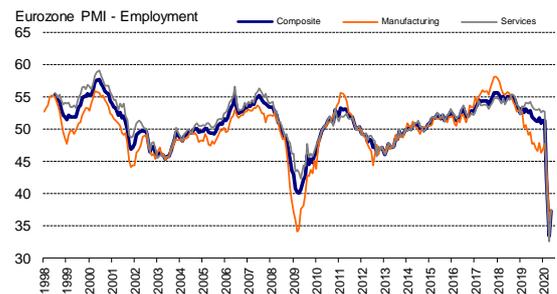
Output



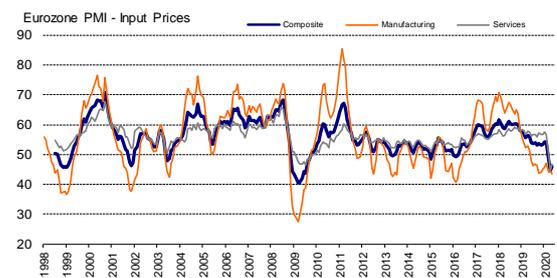
New business



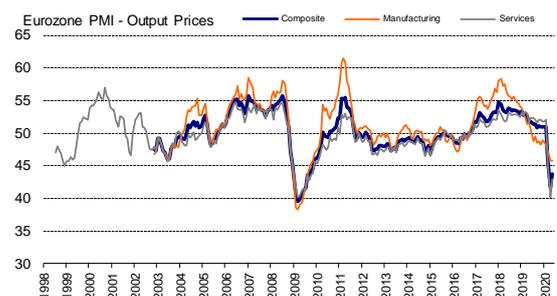
Employment



Input prices



Output prices



Source: IHS Markit.

Summary of May data

Output	Composite	Output continues to fall sharply.
	Services	Softer decline in activity.
	Manufacturing	Severe contraction in production.
New Orders	Composite	Steep drop in new orders.
	Services	New business down sharply again.
	Manufacturing	Further substantial fall in new orders.
Backlogs of Work	Composite	Softer reduction in backlogs.
	Services	Marked drop in outstanding business.
	Manufacturing	Work-in-hand down steeply.
Employment	Composite	Third successive month of job cuts.
	Services	Staffing levels fall sharply.
	Manufacturing	Rate of job shedding remains severe.
Input Prices	Composite	Solid fall in input costs.
	Services	Third successive reduction in input costs.
	Manufacturing	Fastest decrease in input prices since March 2016.
Output Prices	Composite	Further sharp drop in output prices.
	Services	Near-record decrease in charges.
	Manufacturing	Rate of decline in selling prices unchanged.
PMI⁽³⁾	Manufacturing	PMI at two-month high of 39.5.

For further information, please contact:

IHS Markit

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email chris.williamson@ihsmarkit.com

Katherine Smith, Public Relations
Telephone +1 781 301 9311
E-mail katherine.smith@ihsmarkit.com

Note to Editors:

Final May data are published on 1 June for manufacturing and 3 June 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> ²	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?"

About IHS Markit (www.ihsmarkit.com)

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

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>.

The intellectual property rights to the Flash Eurozone *PMI*[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, [click here](#).