

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Eurozone PMI<sup>®</sup>

### Eurozone economy close to stabilising as Flash PMI rises to 49.8

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 49.8 (45.3 in November). 2-month high.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 47.3 (41.7 in November). 3-month high.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 56.6 (55.3 in November). 2-month high.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 55.5 (53.8 in November). 31-month high.

Data collected December 04-15

Eurozone business activity came close to stabilising in December as stronger manufacturing output growth helped to counter a further drop in service sector activity. Encouragingly, future output expectations jumped to a 32-month high, as prospects brightened amid recent news on vaccine developments.

The flash IHS Markit Eurozone Composite PMI<sup>®</sup> rose from 45.3 to 49.8 in December, registering a marginal drop in business activity after a steep decline in November. The improvement means the PMI has averaged 48.4 in the fourth quarter. Although down from 52.4 in the third quarter, the fourth quarter average is well above that seen in the second quarter (31.3), suggesting that the economic impact of the second waves of virus infections has been far less severe than the first wave.

Although manufacturing output growth accelerated in December, having slowed in November, the service sector saw output contract for a fourth successive month, albeit with the rate of decline easing markedly to the slowest since September as fewer companies reported output to have been hit by coronavirus disease 2019 (COVID-19) lockdown restrictions compared to November.

#### IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

Inflows of new orders rose marginally and for the first time since September, boosted by an increased rate of growth of new orders in the manufacturing sector and a substantial slowing in the rate of loss of new business in the service sector compared to that suffered in November.

A key differential in order book growth was seen in terms of exports. While exports of goods rose at the second-fastest rate in 34 months, falling just short of October's recent high, service sector exports once again fell sharply, the rate of decline moderating only slightly on November due to ongoing strict travel and tourism restrictions.

The marginal gain in new business contributed to a marked easing in the rate of depletion of backlogs of work, which registered the smallest decline since February, hinting in turn at less spare capacity compared to prior months.

With backlogs of work no longer falling sharply, companies reined in their job cutting, meaning employment fell in December at the slowest rate since the pandemic began. Employment nevertheless decreased across the eurozone as a whole for a tenth consecutive month, dropping in both manufacturing and services, albeit at reduced

rates.

The slower rate of job losses was also attributed to brightened prospects for the year ahead, in turn often associated with encouraging news on the development of COVID-19 vaccines. Business expectations about output in the coming 12 months rose to the highest since April 2018. Sentiment about future prospects hit a 27-month high in the service sector and a 34-month high in manufacturing.

Average rates charged for goods and services meanwhile fell at the slowest rate since prices began falling back in March, linked in some cases to strengthening demand and improved pricing power, but also due to increased cost pressures in the manufacturing sector. Manufacturers' input costs rose in December at the fastest rate for just over two years, linked in many cases to increasingly widespread shortages for many key raw materials. Suppliers' delivery times lengthened to one of the greatest extents seen in the survey's near 24-year history.

Looking at trends across the region, **Germany** reported an expansion of output for the sixth successive month, its flash composite PMI rising from 51.7 to 52.5. Manufacturing output growth cooled for a second month running but remained among the highest seen in the survey's history, accompanied by a moderation in the service sector's downturn.

Output meanwhile continued to fall in **France** for a fourth successive month, though the flash composite PMI jumped from 40.6 to 49.6 to indicate a sharp easing in the rate of contraction to the slowest seen over this period of decline. Manufacturing output returned to modest growth and service sector activity came close to steadying.

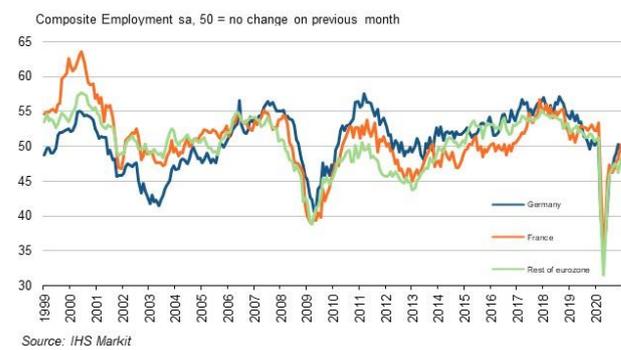
A more substantial contraction of business activity was reported in the **rest of the eurozone**, though even here the rate of decline waned to the weakest since September as improved manufacturing output growth helped counter a further drop in services output. The flash composite output index rose from 42.8 to 47.5.

*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.*

## 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 economy is faring better than expected in December, the flash composite PMI coming in at 49.8, ahead of consensus expectations of 45.8. The data hint at the economy close to stabilising after having plunged back into a severe decline in November amid renewed COVID-19 lockdown measures. The fourth quarter downturn consequently looks far less steep than the hit from the pandemic seen earlier in the year, though the picture is very mixed by sector.*

*"Companies have also become increasingly optimistic about the year ahead, with vaccine roll-outs expected to help restore businesses to more normal trading conditions as 2021 progresses.*

*"However, while vaccines mean there's light at the end of the tunnel, the near-term still looks very challenging for many consumer-facing companies. Although manufacturing is reporting strong growth, fueled by rising exports and a booming performance from Germany in particular, the service sector remains in decline amid ongoing*

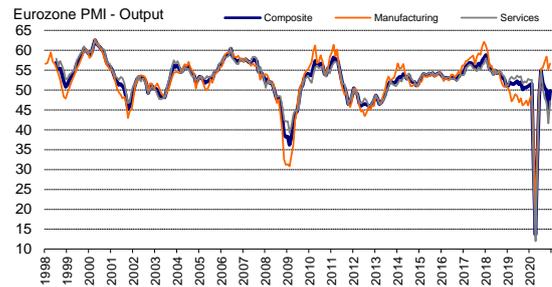
social distancing restrictions. Many of these containment measures look likely to remain in place for some time to come, constraining the economy as we head into the new year.”

-Ends-

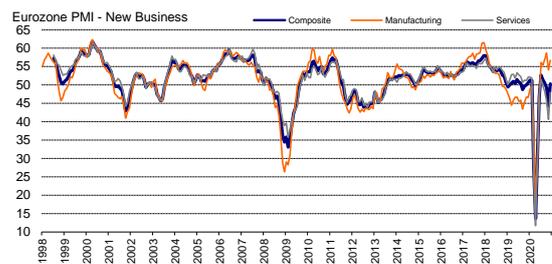
## Summary of December data

<b>Output</b>	<b>Composite</b>	<b>Marginal reduction in activity.</b>
	Services	Much softer decrease in activity.
	Manufacturing	Sharp and accelerated rise in production.
<b>New Orders</b>	<b>Composite</b>	<b>New orders up slightly.</b>
	Services	Decline in new business slows sharply.
	Manufacturing	Quicker rise in new orders.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Backlogs of work near stabilisation.</b>
	Services	Solid reduction in outstanding business.
	Manufacturing	Sharpest accumulation of backlogs for almost three years.
<b>Employment</b>	<b>Composite</b>	<b>Softest fall in employment for ten months.</b>
	Services	Weaker decline in staffing levels.
	Manufacturing	Job shedding at 18-month low.
<b>Input Prices</b>	<b>Composite</b>	<b>Input cost inflation at 19-month high.</b>
	Services	Input prices rise modestly.
	Manufacturing	Sharpest increase in input costs since November 2018.
<b>Output Prices</b>	<b>Composite</b>	<b>Slowest reduction in output prices for ten months.</b>
	Services	Charges continue to fall.
	Manufacturing	Selling prices rise at fastest pace in 22 months.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at 31-month high of 55.5.

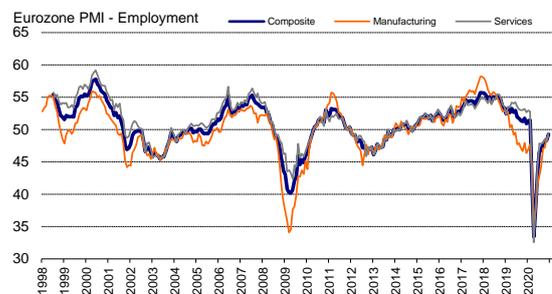
## Output



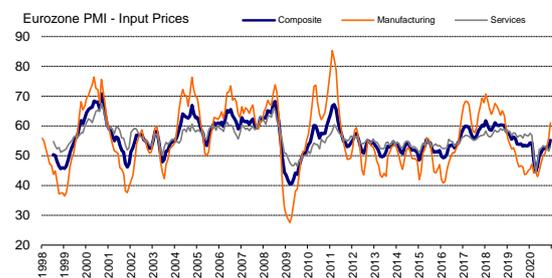
## New business



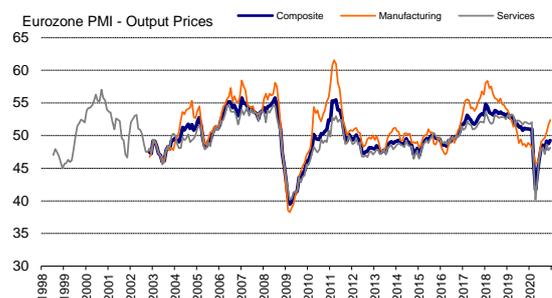
## Employment



## Input prices



## Output prices



Source: IHS Markit.

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**Note to Editors:**

Final December data are published on 4 January for manufacturing and 6 January 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	0.3
Eurozone Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.1	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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**About PMI**

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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