

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

Eurozone manufacturing sector moves towards stabilisation in June

Key findings:

- Final Eurozone Manufacturing PMI at 47.4 in June (Flash: 46.9, May Final: 39.4)
- PMI records steep rebound but operating conditions remain challenging
- Positive outlook belies continued job cuts

Data collected 12-23 June

IHS Markit Eurozone Manufacturing PMI

Eurozone Manufacturing PMI, sa, 50 = no change



Source: IHS Markit

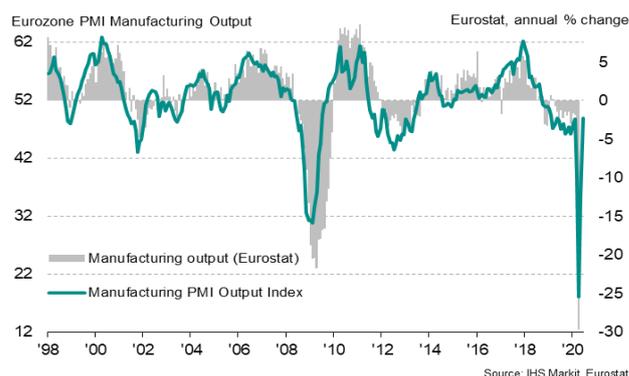
In line with the continued easing of global coronavirus disease (COVID-19) restrictions on economic activity, the severe downturn in the eurozone manufacturing economy continued to ease in June. The seasonally adjusted IHS Markit Eurozone Manufacturing PMI[®] strengthened to a four-month high of 47.4, up from 39.4 in May and an improvement on the earlier flash reading.

Posting an increase of eight points since May, the PMI recovered further from April's nadir. Nonetheless, the headline index has now recorded below 50.0 for 17 successive months and remains consistent with the sector facing challenging operating conditions.

There was some divergence in trends, however, by market group. Both intermediate and investment goods continued to contract, but there was a return to growth amongst consumers goods producers.

Countries ranked by Manufacturing PMI: June

France	52.3 (flash: 52.1)	21-month high
Ireland	51.0	4-month high
Greece	49.4	4-month high
Spain	49.0	4-month high
Italy	47.5	4-month high
Austria	46.5	4-month high
Netherlands	45.2	3-month high
Germany	45.2 (flash: 44.6)	3-month high



Source: IHS Markit, Eurostat

All countries recorded a relative improvement in their PMI readings during June, with the majority recording their best numbers since February.

Of note, two countries – France and Ireland – recorded PMI levels above 50.0, with growth in France the best for 21 months. Greece and Spain moved closer to stabilisation, followed by Italy and Austria. Germany and the Netherlands continued to lag the rest of the region.

Manufacturing output declined only modestly in June and to a much lesser degree when compared to the considerable falls seen in recent months. However, production continues to be undermined by ongoing weakness in new order books: June's survey again showed a notable reduction in total new orders (albeit at the weakest pace for four months). New export sales were also down, declining for a twenty-first month and at a noticeable pace.

Latest data indicated that firms continued to operate well below capacity during June, with backlogs of work outstanding falling for a twenty-second successive month – and again at a severe rate (despite easing since May).

Amid reports of reduced working hours and a lack of overall workloads, staff cuts were signalled. Employment fell in June for a fourteenth successive month, and again at a noticeable pace. All nations recorded a drop in manufacturing employment, led by Germany, Italy and the Netherlands.

Purchasing activity also remained depressed in June, with manufacturers choosing to reduce their buying of inputs for a nineteenth successive month. Firms signalled a preference for wherever possible to utilise existing stocks as they battled to free up working capital. Inventories of both inputs and stocks of finished goods subsequently declined during June.

Despite reduced demand for inputs, average lead times continued to lengthen. Although rising to the smallest extent of the past four months, delivery times were again noticeably longer as vendors continued to face challenges in transportation and stock shortages at their units.

Latest prices data indicated that deflationary pressures remained apparent across the manufacturing economy during June. Input costs were reduced for a thirteenth successive month, and manufacturers passed on their cost savings to clients. Average output prices fell solidly to extend the current period of deflation to a year.

Finally, confidence about production in the year ahead returned to positive territory during June, and to its highest level in four months. Positive sentiment was linked by manufacturers to hopes that the further easing of lockdown measures will support a return to sales and demand growth in the coming year.

* Includes intra-eurozone trade.

Comment

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

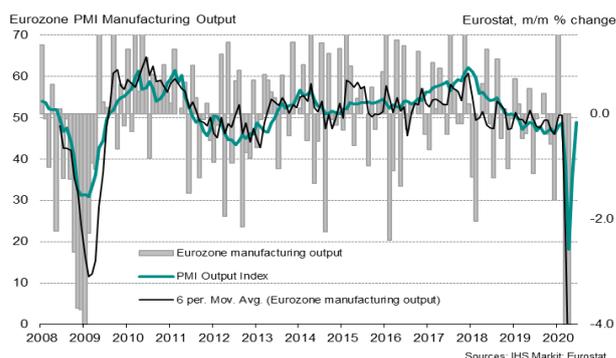
“The final PMI numbers for June add further to signs that the eurozone factories are seeing a strong initial recovery as the economy lifts from COVID-19 lockdowns. The rise in the June survey is indicative of output falling at an annual rate of just 2%. That compares with a near 30% rate of contraction seen at the height of the lockdowns in April. This remarkable turnaround implies very strong month-on-month gains in the official production numbers for the past two months.*

“Expectations for the year ahead have also rebounded sharply as hopes grow that the economy will continue to find its feet again in the coming months.

“However, even with these gains, production and sentiment remain below pre-pandemic peaks, and persistent weak demand combined with ongoing social distancing measures are likely to act as a drag on the recovery. The focus therefore now turns to whether gains seen in the past two months can be built on, or if momentum fades again after this initial rebound.”

-Ends-

*While the PMI questionnaire asks respondents to compare the trend in various business metrics such as production with the prior month, the resulting ‘diffusion index’ tends to show far less volatility than month-on-month changes in comparable official data series (see chart below). The PMI instead provides a valuable guide to the trend in the official data (as indicated in the chart by a moving average of the official data shown in the bars). As such, the Eurozone PMI output index displays its highest correlation (86%) with the annual rate of change in the official Eurostat gauge of manufacturing output (see chart on page 1), comparisons with which monthly rates of change can be inferred.



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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 June 2020 flash was based on 89% 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 <i>PMI</i>	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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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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