

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Eurozone PMI[®]

Eurozone near-stalled for third month running in November

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 50.3 (50.6 in October). 2-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 51.5 (52.2 in October). 10-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 47.1 (46.6 in October). 3-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 46.6 (45.9 in October). 3-month high.

Data collected November 12-21

The Eurozone economy remained close to stagnant for a third successive month in November, according to the flash PMI, losing growth momentum slightly again as new orders fell for a third straight month. The survey showed signs of the steep ongoing manufacturing decline spreading further to services. Employment growth meanwhile slipped to the lowest for almost five years as firms took an increasingly cautious approach to hiring. Price pressures also cooled further, running at the lowest for over three years.

At 50.3 in November, the 'flash' IHS Markit Eurozone Composite PMI[®] fell from 50.6 in October to signal the second-smallest expansion of output across manufacturing and services since the current upturn began in July 2013. The past three months have consequently seen a continual near-stagnation of output, contrasting markedly with robust growth seen over the same period one year ago.

Weak output growth reflected a third successive monthly decline in new orders for goods and services, albeit with the rate of decline easing slightly for a second month running to register only a marginal drop in demand. The ongoing decline nevertheless represents the worst spell of demand since mid-2013.

IHS Markit Eurozone PMI and GDP



The further fall in new business meant backlogs of work decreased for the eleventh time in the past year, deteriorating at one of the steepest rates seen over the past five years.

Expectations about future output remained well below levels seen earlier in the year, reflecting heightened geopolitical uncertainty, including Brexit, trade wars and auto tariffs, plus general concerns about slowing demand. However, sentiment was nonetheless the best for four months, albeit by a small margin.

The worsening order book picture meanwhile contributed to a further pull-back in hiring, with firms increasingly cautious about extending their overheads. Employment growth slowed for the fifth consecutive month in November, down to its lowest since January 2015.

The weakening demand environment also fueled more price discounting as firms sought to boost sales. Average prices charged for goods and services rose at the joint-weakest rate for three years, while average input cost inflation slipped to the lowest since August 2016.

Manufacturers continued to report the toughest

conditions, with the rate of decline of output easing modestly for a second month running but remaining one of the steepest since early-2013. Encouragingly, new order inflows fell at the slowest rate for five months, though the rate of decline remained steep, led by falling exports*. Optimism about future factory output nevertheless also improved, reaching a five-month high, helping ease the rate of job losses. Factory employment has now fallen for seven consecutive months, representing the worst period for manufacturing jobs since 2013.

Service sector growth meanwhile waned to the lowest since January as new business inflows showed the third-smallest increase for almost five years. Backlogs of work fell at an increased rate and expectations for future service sector growth hit the lowest since June 2013, leading to the smallest rise in service sector employment since January.

Price pressures were again the weakest in manufacturing, where both input costs and selling prices fell further during the month, the latter declining at the sharpest rate since April 2016. While both costs and selling prices continued to rise in the service sector, average charges levied grew at the joint-slowest rate since August 2017.

**Exports include intra-eurozone trade.*

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 third successive month in **Germany**. Although the rate of decline eased very slightly again, the fourth quarter so far is the worst since the third quarter of 2012. While service sector growth slowed to the lowest since September 2016, the manufacturing downturn showed further signs of moderating, with new orders notably falling at the slowest rate for ten months, helping push the headline manufacturing PMI to a five-month high.

France again outperformed Germany, with business activity rising to the greatest extent for three months, meaning the fourth quarter is so far looking the strongest of the year to date. Service sector growth continued to run at one of the highest recorded over the past year while manufacturing output growth picked up to the second-highest since August 2018.

While Germany and France saw some signs of improvement, the **rest of the euro area** saw output fall, albeit only marginally, for the first time since July 2013. An increased rate of decline of manufacturing output was accompanied by a near-stalling of service sector growth.

Comment

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

“The eurozone economy remained becalmed for a third successive month in November, with the lacklustre PMI indicative of GDP growing at a quarterly rate of just 0.1%, down from 0.2% in the third quarter.

“Manufacturing remains in its deepest downturn for six years amid ongoing trade woes, and November saw further signs of the weakness spilling over to services, notably via slower employment growth.

“Resilient jobs growth had provided a key support to the more domestically-focused service sector earlier in the year, but with employment now rising at its slowest pace since early-2015, it’s not surprising to see the service sector now also struggling.

“Tentative signs of life in the core eurozone countries of France and Germany are welcome news, as is an easing in the manufacturing downturn, but a fresh concern is that the rest of the region has slipped into decline for the first time since 2013.

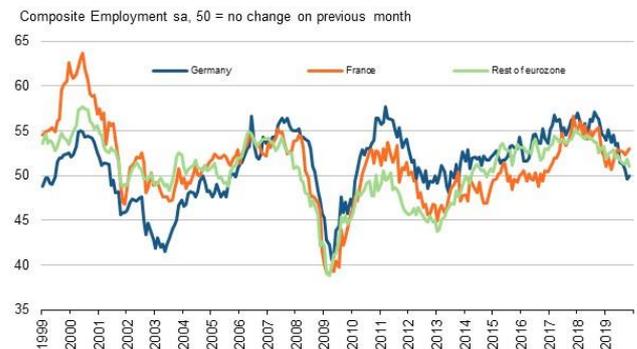
“Business remains concerned by trade wars, Brexit and a general slowdown in demand, with heightened uncertainty about the economic and political outlook driving further risk aversion.”

-Ends-

Core v. Periphery PMI Output Indices



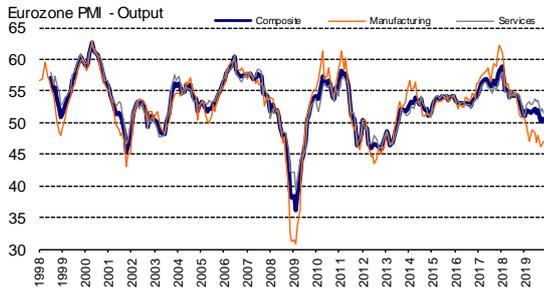
Core v. Periphery PMI Employment Indices



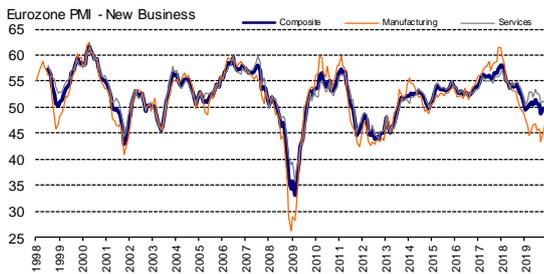
Summary of November data

Output	Composite	Marginal expansion of output.
	Services	Slowest rise in activity for ten months.
	Manufacturing	Rate of decline eases to weakest in three months.
New Orders	Composite	New business declines for third month running.
	Services	Modest expansion of new orders.
	Manufacturing	New orders fall solidly, but at reduced rate.
Backlogs of Work	Composite	Outstanding business continues to fall.
	Services	Backlogs down for fourth month running.
	Manufacturing	Further reduction in work-in-hand.
Employment	Composite	Rate of job creation at 58-month low.
	Services	Slowest rise in employment since January.
	Manufacturing	Seventh successive decline in staffing levels.
Input Prices	Composite	Softest rise in input costs since August 2016.
	Services	Input prices continue to increase at sharp pace.
	Manufacturing	Marked decrease in input costs.
Output Prices	Composite	Slight increase in output prices.
	Services	Rate of charge inflation softens.
	Manufacturing	Output prices lowered for fifth month running.
PMI⁽³⁾	Manufacturing	PMI at three-month high of 46.6.

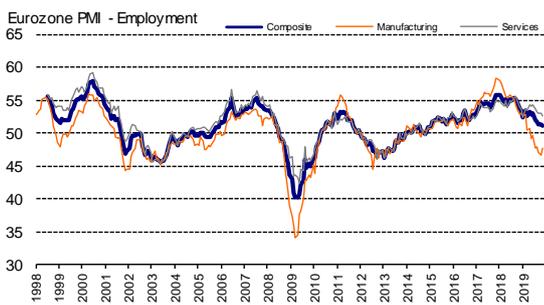
Output



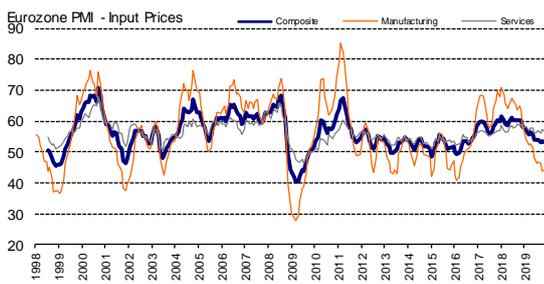
New business



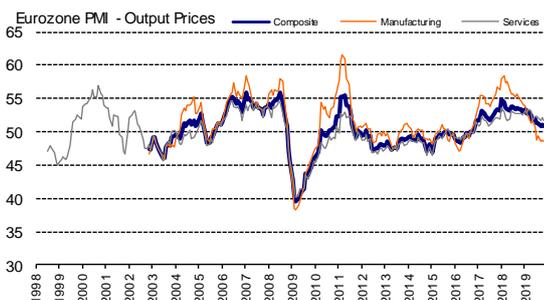
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final November data are published on 2 December for manufacturing and 4 December 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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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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