

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Eurozone Composite PMI® – final data

Includes IHS Markit Eurozone Services PMI®

Eurozone economy registers stronger growth at start of 2020

Key findings:

- Final Eurozone Composite Output Index: **51.3** (Flash: 50.9, December Final: 50.9)
- Final Eurozone Services Business Activity Index: **52.5** (Flash: 52.2, December Final: 52.8)

Data collected January 13-28

The **IHS Markit Eurozone PMI® Composite Output Index** strengthened for a second successive month at the start of 2020. Rising to 51.3, from 50.9 in December and above the earlier flash reading, the index indicated a modest rate of growth, but nonetheless the highest recorded by the survey since last August.

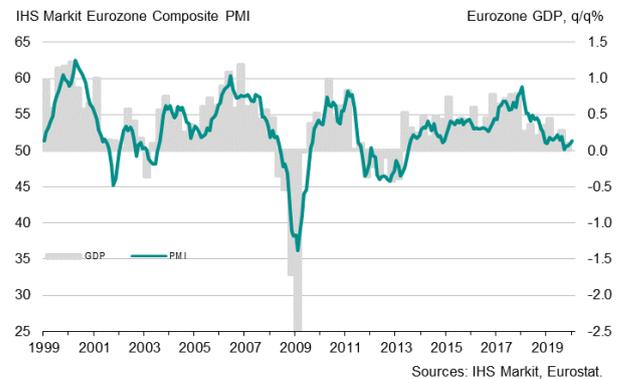
Expansion of the private sector was again driven by the services economy during January, although growth here was softer than in the previous month. Manufacturing output continued to fall, extending the current sequence of contraction to a full year. However, the rate of decline was the weakest recorded by the survey since last June.

All nations covered by composite PMI data recorded an expansion in private sector output during January. Ireland led the way, expanding at its fastest pace in just under a year. Growth tended to be only modest elsewhere, although notably Germany enjoyed its strongest performance for five months.

France and Spain recorded slower gains in output than in December, whilst Italy remained the weakest-performing despite recording its first expansion for three months.

Underpinning the latest increase in region-wide activity was another rise in incoming new business. Whilst modest, growth was the best recorded in seven months.

IHS Markit Eurozone Composite PMI



Countries ranked by Composite PMI*:

Ireland	54.7	11-month high
Spain	51.5	3-month low
Germany	51.2 (flash: 51.1)	5-month high
France	51.1 (flash: 51.5)	4-month low
Italy	50.4	3-month high

* Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.

Foreign trade continued to weigh on overall new business gains, declining for a sixteenth successive month. However, the rate of decline was marginal and the weakest since late-2018.

Companies continued to add to their staffing levels during January, extending the current period of expansion to well over five years. Despite improving, growth was modest and remained well below the average for the current expansionary sequence.

Increased employment helped firms to keep on top of their workloads during January. Backlogs of work continued to fall, albeit only negligibly and at the weakest rate in the past 11 months.

Average input prices increased once again during January, with inflation accelerating to its sharpest of the past eight months. However, the rate of increase remained well below the survey average. There was also only a modest increase in output charges during January, with the rate of inflation unmoved for a third month in succession.

Looking ahead to the next 12 months, confidence about the future strengthened during January to its highest level since September 2018. All nations, with the exception of Spain, recorded an improvement of sentiment at the start of the year. Irish companies remained the most optimistic, followed by those based in Italy. Confidence amongst German companies was again the lowest, though continued a recent improvement to the highest in nearly a year-and-a-half.

Services

The **IHS Markit Eurozone PMI® Services Business Activity Index** was a little lower during January, falling to 52.5, from 52.8 in the previous month. Weaker expansion reflected slower service sector gains in France and Spain. All other nations registered stronger growth compared to December.

A solid increase in new work was signalled during January, with growth unchanged on December's four-month high. In line with recent trends, growth was limited by another fall in new export business, the seventeenth in successive months.

Companies again took on additional staff, with employment rising at a solid pace that was slightly stronger than the previous month. Additional capacity helped firms to broadly keep on top of their workloads as backlogs rose only marginally.

Input price inflation accelerated at the start of the year to the strongest recorded by the survey for nine months. However, margins remained under pressure as charges again rose only modestly.

Finally, business confidence about the future was the strongest recorded since last April. With the exception of Spain – where sentiment fell to its joint-lowest in over six years – optimism was higher across the region during January.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

“A further rise in the headline PMI to the highest since last August adds to evidence that the tide may be turning for the eurozone economy. Although growth remains subdued, with the survey signalling a quarterly GDP growth rate of just under 0.2%, manufacturing is showing welcome signs of stabilising after the heavy downturn seen last year and services growth remains encouragingly resilient, thanks largely to the improving labour market.

“Business confidence about the outlook has also improved markedly since late last year, now running at a 16-month high.

“Fears of a manufacturing downturn spreading to services have therefore eased, in turn helping assuage the risk of recession. We expect to see growth gaining momentum steadily as 2020 proceeds, as low inflation, a healthy job market and easing financial conditions support consumer spending, while improving global trade helps manufacturers.

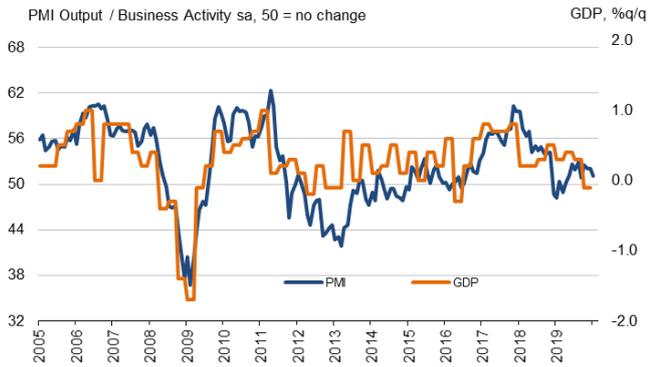
“However, the pace of output growth is still subdued, and firms remain concerned by existing headwinds as well as fresh risks. Although US-China trade war tensions have cooled, US trade rhetoric has now turned to Europe, with the auto sector looking especially vulnerable to tariff threats. Similarly, while the UK has formally left the EU, trade discussions will no doubt cause an air of uncertainty to hang over the continent. The Wuhan coronavirus meanwhile represents a new potential disruptor to business and trade. We consequently expect the eurozone to avoid recession in 2020 but to struggle to muster growth of 1.0%.”

-Ends-

** [Click here](#) for further details of using the PMI to measure GDP in advance.

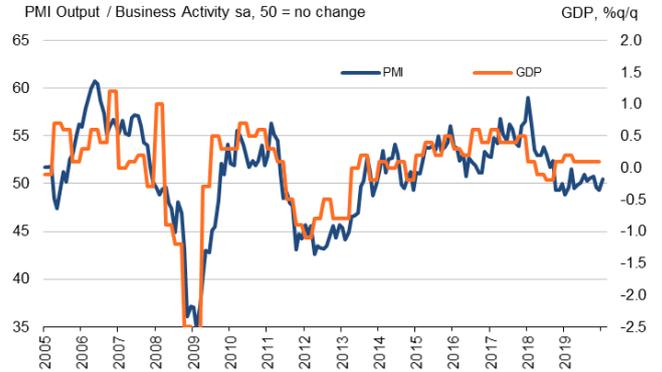
† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

France



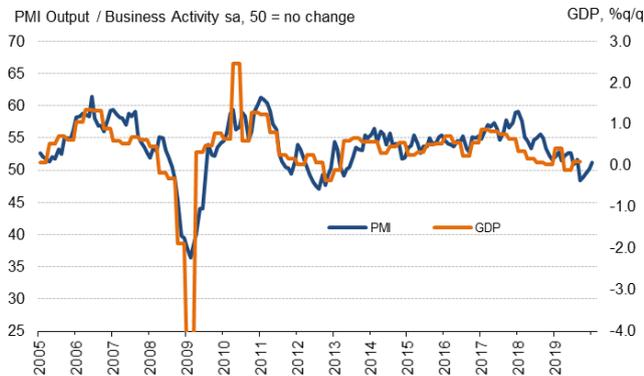
Source: IHS Markit, INSEE GDP = gross domestic product

Italy



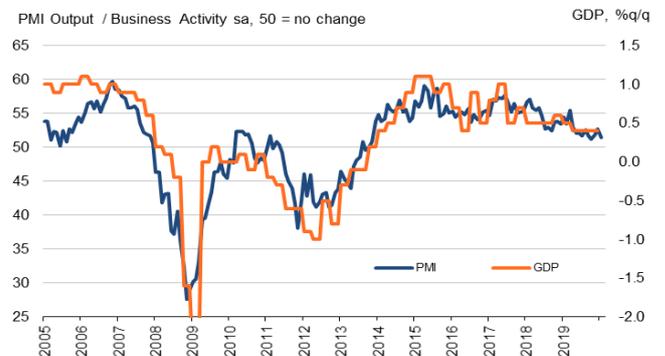
Source: IHS Markit, ISTAT GDP = gross domestic product

Germany



Source: IHS Markit, FSO. GDP = gross domestic product

Spain



Source: IHS Markit, INE. GDP = gross domestic product

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Note to Editors:

The Eurozone Composite *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 manufacturing and services firms. 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 Eurozone Services *PMI* (*Purchasing Managers' Index*) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite *PMI* and Services *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The January composite flash was based on 89% of the replies used in the final data. The January services flash was based on 82% of the replies used in the final data. **Data were collected 13-28 January.**

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 <i>PMI</i>	0.0	0.2
Eurozone Services Business Activity <i>PMI</i>	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.

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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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