

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

Manufacturing growth accelerates in final month of 2020

Key findings:

- Final Eurozone Manufacturing PMI at 55.2 in December (Flash: 55.5, November Final: 53.8)
- Stronger rises in output and new orders signalled
- Supply side shortages lead to delivery delays and price rises

Data collected 04-16 December

IHS Markit Eurozone Manufacturing PMI

Eurozone Manufacturing PMI, sa, 50 = no change



Source: IHS Markit.

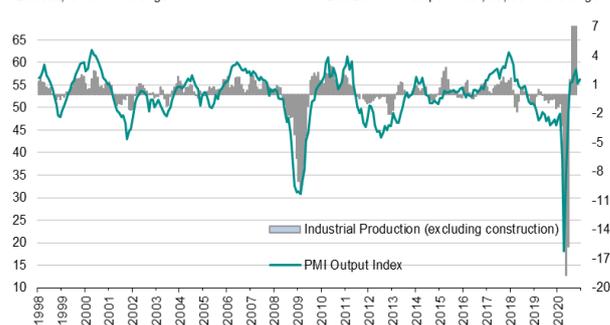
The seasonally adjusted IHS Markit Eurozone Manufacturing PMI[®] improved to its highest since May 2018 during the final month of 2020. Posting 55.2, up from 53.8 in November but a little softer than the earlier flash reading, the headline index was above the crucial 50.0 no-change mark that separates growth from contraction for a sixth successive month.

Although all three broad market groups recorded an improvement in operating conditions since November, rates of growth were noticeably different. Investment goods producers recorded the strongest improvement, followed by intermediate goods where marked growth was also registered. In contrast, only a marginal strengthening in operating conditions was seen amongst consumer goods producers.

Countries ranked by Manufacturing PMI: December

Germany	58.3 (flash: 58.6)	34-month high
Netherlands	58.2	27-month high
Ireland	57.2	5-month high
Austria	53.5	2-month high
Italy	52.8	2-month high
France	51.1 (flash: 51.1)	2-month high
Spain	51.0	2-month high
Greece	46.9	2-month high

Eurostat, 3m/3m % change Eurozone PMI Output Index, sa, 50 = no change



Source: IHS Markit, Eurostat

Growth was again led by Germany, where the rate of expansion was the best for nearly three years, and the Netherlands which registered its best performance for over two years. Ireland also enjoyed a strong expansion (the sharpest in five months).

All other countries covered by the survey saw relative improvements in their PMI readings during the latest survey period. Austria and Italy saw solid growth, compared to much more modest gains in France and Spain. Greece remained the only nation in manufacturing contraction territory.

A sixth successive monthly increase in manufacturing production was signalled by the latest data, with the rate of expansion marked and up since November. The improvement was linked to a similar-sized increase in new orders, which also rose for the sixth month in a row.

New export* orders increased markedly and to a greater extent than in November. The Netherlands and Germany reported by far the sharpest increases in export sales.

There remained evidence of some pressure on capacity as backlogs of work increased for a fifth successive survey period and at a rate that was close to October's 32-month high.

However, firms on average made further cuts to their staffing levels, extending the current period of decline to 20 months. Job losses were most notable in Germany, although higher staffing in Italy and, to a lesser extent, France, meant that the overall drop in eurozone manufacturing employment was marginal.

Production was partly impacted by delays in the delivery of inputs during December. With purchasing activity increasing for a fourth successive month – and at the fastest pace since February 2018 – average lead times deteriorated to the greatest degree since April. Delays in transportation due to COVID-19 related restrictions and general goods shortages at suppliers were widely reported.

This helped to explain a rapid and accelerated increase in average input prices at the end of 2020. Latest data showed that operating expenses rose to the greatest degree since November 2018 with rates of inflation sharp across the bloc. Selling prices were subsequently increased for a third successive month and to the greatest degree since February 2019.

Faced with delays in the receipt of bought goods, manufacturers continued to run down their stocks of raw materials and semi-manufactured goods. Warehouse inventories were also reduced markedly, extending the current period of contraction to seven months.

Finally, confidence about the coming 12 months improved to the highest level in nearly three years as optimism rose on hopes that operating conditions would be closer to normal by the end of 2021. Italian and Dutch manufacturers were the most confident in December.

* Includes intra-eurozone trade.

Comment

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

“Eurozone manufacturing ended 2020 on an encouragingly strong note, with production growth accelerating to one of the fastest seen over the past three years. The solid performance of manufacturing amid the tightening of COVID-19 restrictions in the closing months of 2020 represents a major contrast to the lockdowns earlier in the year, with factories acting as a crucial support to the economy as the service sector is hit by tough social distancing measures.

“The strong manufacturing growth is thanks to a large extent on booming demand for German goods, which drove most of the increase in eurozone production during December, in turn buoyed by rising exports. While robust expansions were also seen in the Netherlands and Ireland, these in part reflected a temporary spike in UK demand prior to the end of the Brexit transition period.

“Employment continued to be cut, but this follows a similar pattern to the recovery from the global financial crisis, with the job market improvement coming later than the rise in production. Assuming output growth can be sustained, jobs should soon follow.

“The economy consequently looks set to be hit by the pandemic in the fourth quarter far less than the unprecedented decline in the second quarter thanks to the resilience of manufacturing, and an improvement in business expectations for 12 months ahead to the highest for almost three years suggests that momentum can be sustained in 2021. Rising virus case numbers are nevertheless likely to mean trading conditions remain challenging in the near-term and therefore constrain growth.”

-Ends-

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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 December 2020 flash was based on 90% 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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