

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 23 April 2020

IHS Markit Flash Eurozone PMI[®]

Unprecedented collapse of Eurozone economy amid virus lockdown

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 13.5 (29.7 in March). Record low (since July 1998).
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 11.7 (26.4 in March). Record low (since July 1998).
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 18.4 (38.5 in March). Record low (since June 1997).
- Flash Eurozone Manufacturing PMI⁽³⁾ at 33.6 (44.5 in March). 134-month low.

Data collected April 07-22

The eurozone economy suffered the steepest falls in business activity and employment ever recorded during April as a result of measures taken to contain the coronavirus outbreak, according to provisional PMI[®] survey data.

The flash IHS Markit Eurozone Composite PMI plummeted to an all-time low of 13.5 in April, down from a prior record low of 29.7 in March, to indicate by far the largest monthly collapse in output recorded in over two decades of survey data collection. By comparison, the lowest reading seen during the global financial crisis was 36.2, reached in February 2009.

The COVID-19 pandemic was widely blamed for the deterioration, with April having seen an intensification of efforts to contain the virus outbreak across the continent. Lockdown measures included widespread temporary business closures and draconian restrictions on citizens' movement.

The service sector bore the brunt of the impact from the lockdown measures, with the business activity index sliding from 26.4 in March to just 11.7 in April. Companies operating in sectors such as hospitality,

IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

accommodation, restaurants, travel and tourism saw especially steep falls in activity, with vast numbers of such companies in enforced shutdowns or severely limited in terms of their ability to operate.

Manufacturing also saw a record fall in production, the output index slumping from 38.5 in March to 18.4*, with many non-essential businesses having closed and others reporting either dramatically reduced demand or being constrained by shortages of staff and inputs. Supply chain delays hit the highest ever reported.

Overall inflows of new business fell at the steepest rates yet recorded in both manufacturing and services, resulting in a record depletion of overall backlogs of work. An unprecedented fall in service sector backlogs was accompanied by a near all-time record reduction in manufacturing.

Expectations of output in the coming 12 months dropped marginally below the previous nadir seen in March thanks to a new record degree of pessimism in manufacturing.

Jobs were meanwhile cut to the greatest extent ever recorded by the survey, dropping for a second

successive month. Service sector jobs were slashed at the steepest rate yet witnessed by the survey, while the drop in manufacturing payrolls was the sharpest since April 2009. In some cases, the employment decline reflected furloughed workers, but even if these workers are excluded the fall in employment was still among the steepest ever recorded by the survey.

Average prices charged for goods and services fell at the sharpest rate since June 2009 as companies increasingly offered discounts to boost sales in the face of slumping revenues. Such discounting was especially widely reported in the service sector, where average rates charged fell at a record pace. Prices charged for goods declined at the fastest rate since November 2009.

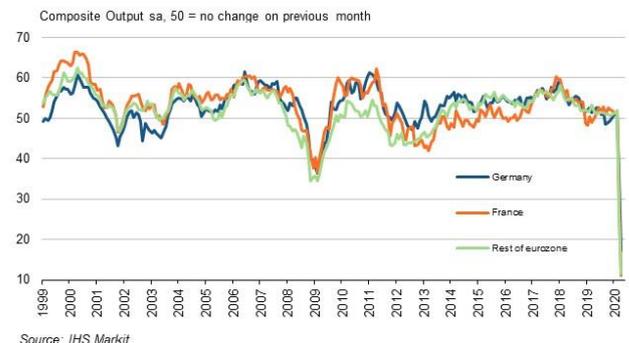
Price cuts were often facilitated by lower costs. Average input costs fell to an extent not seen since July 2009. However, while a record fall in service sector input prices was recorded, largely linked to lower payroll costs, factory input prices fell at a reduced rate (albeit remaining among the fastest since 2016), in part reflecting some upward price pressures emanating from supply shortages.

By region, the unprecedented scale of the collapse was broad-based, with composite flash PMI output indices hitting all-time lows of 17.1 and 11.2 respectively in Germany and France (down from 35.0 and 28.9 in March), while the rest of the region saw the composite PMI slide from 25.0 to 11.5.

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.

** Note that we focus on the manufacturing output index rather than the composite manufacturing PMI as the latter includes measures such as suppliers' delivery times and inventories, which can distort the signal when analysing the survey data in terms of estimating pure production trends.*

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:

“April saw unprecedented damage to the eurozone economy amid virus lockdown measures coupled with slumping global demand and shortages of both staff and inputs.

“The extent to which the PMI survey has shown business to have collapsed across the eurozone greatly exceeds anything ever seen before in over 20 years of data collection. The ferocity of the slump has also surpassed that thought imaginable by most economists, the headline index falling far below consensus estimates.

“Our model which compares the PMI with GDP suggests that the April survey is indicative of the eurozone economy contracting at a quarterly rate of approximately 7.5%.

“With large swathes of the economy likely to remain locked down to contain the spread of COVID-19 in coming weeks, the second quarter looks set to record the fiercest downturn the region has seen in

recent history.

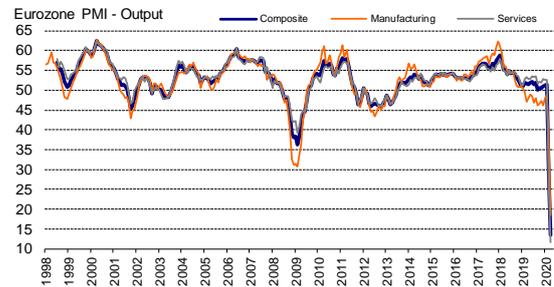
“Hopes are pinned on containment measures being slowly lifted to help ease the paralysis that businesses have reported in April. However, progress looks set to be painfully slow to prevent a second wave of infections. In the face of such a prolonged slump in demand, job losses could intensify from the current record pace and new fears will be raised as to the economic cost of containing the virus.”

-Ends-

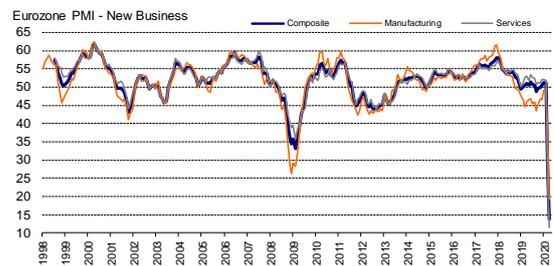
Summary of April data

Output	Composite	Record drop in output.
	Services	Severe contraction in business activity.
	Manufacturing	Production down at unprecedented pace.
New Orders	Composite	New orders fall at sharpest pace on record.
	Services	Record reduction in new business.
	Manufacturing	Steepest fall in new work in survey's history.
Backlogs of Work	Composite	Steep drop in backlogs.
	Services	Outstanding business down substantially.
	Manufacturing	Backlogs fall at fastest pace since February 2009.
Employment	Composite	Record decline in staffing levels.
	Services	Employment falls at record pace.
	Manufacturing	Sharpest job cuts for 11 years.
Input Prices	Composite	Fastest fall in input prices for almost 11 years.
	Services	Sharpest reduction in input costs in survey's history.
	Manufacturing	Further marked reduction in input prices.
Output Prices	Composite	Sharpest decline in charges since June 2009.
	Services	Charges lowered at unprecedented pace.
	Manufacturing	Selling prices down at fastest pace in over a decade.
PMI⁽³⁾	Manufacturing	PMI at 134-month low of 33.6.

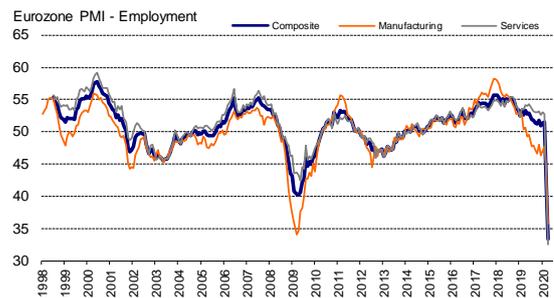
Output



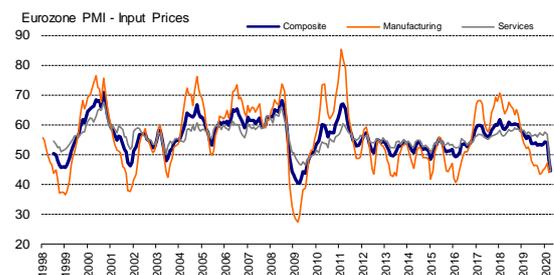
New business



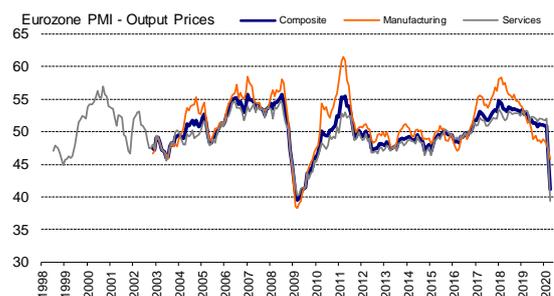
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final April data are published on 4 May for manufacturing and 6 May 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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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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