

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

Includes IHS Markit Eurozone Services PMI[®]

Eurozone private sector contracts again in final month of 2020

Key findings:

- Final Eurozone Composite Output Index: **49.1** (Flash: 49.8, November Final: 45.3)
- Final Eurozone Services Business Activity Index: **46.4** (Flash: 47.3, November Final: 41.7)

Data collected 4-18 December

The eurozone private sector economy contracted for a second successive month in December, albeit at a much slower rate. After accounting for seasonal factors, the **IHS Markit Eurozone PMI[®] Composite Output Index** rose from 45.3 in November to 49.1 in December. The final result was lower than the earlier flash reading (49.8).

Services remained the principal drag on economic output, with activity here falling for a fourth successive survey period. In line with the recent trend, manufacturing remained the principal bright spot of eurozone economic performance, expanding for a sixth successive month and at a faster rate than in November.

There were notable country level divergences at the end of the year. In part driven by Brexit-related stockpiling and higher manufacturing production, Ireland was the best-performing economy followed by Germany, where growth was again underpinned by strong export performance.

In contrast, all other nations registered a contraction, although rates of decline eased noticeably in both France and Spain. Italy was comfortably the worst-performing as service sector activity continued to contract noticeably and more than offset modest growth in manufacturing.

The latest fall in regional economic output was linked to a similar sized drop in incoming new business, which declined for a third month running.

IHS Markit Eurozone Composite PMI



Sources: IHS Markit, Eurostat.

Countries ranked by Composite PMI*:

Ireland	53.4	4-month high
Germany	52.0 (flash: 52.5)	2-month high
France	49.5 (flash: 49.6)	4-month high
Spain	48.7	5-month high
Italy	43.0	2-month high

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

Social distancing measures and restrictions were reported to have weighed on demand, especially in nations such as Italy and Spain. On a more positive note, growth of new export business was recorded for the third time in the past four months.

As the downturn in overall levels of incoming new business continued, companies were able to comfortably keep on top of workloads as evidenced by a drop in levels of work outstanding for the twenty-second successive month. With overall workloads down, job losses continued in line with the trend since March. The rate of contraction was, however, marginal. Ireland actually saw an increase in employment, whilst staffing levels were unchanged in France to end a nine-month streak of falling employment numbers.

On the price front, the strongest increase in manufacturing input costs for over two years helped to drive up overall operating expenses to the strongest degree since May 2019. However, the challenging business environment and competitive market conditions meant that output charges were cut slightly for a tenth successive month.

Amid recent news of vaccine developments, private sector companies were noticeably more optimistic about activity in 12 months' time. Overall, optimism was at its highest level since April 2018.

Services

The IHS Markit Eurozone **PMI[®] Services Business Activity Index** bounced back from November's six-month low of 41.7 in December, but remained firmly below the 50.0 no-change mark to signal another fall in services activity. Posting 46.4, the index recorded a contraction in activity for a fourth month in succession.

All nations except Ireland registered a decline in activity. Italy recorded by far the sharpest reduction, followed by Germany and then Spain.

Lower service sector activity at the aggregate level was again closely correlated to reduced volumes of incoming new work which fell for a fifth successive month. The effects of social distancing and travel restrictions were highlighted by data on new export business, which showed a sharp fall again.

As has been the case since March, there was a reduction in service sector employment during December. That said, the rate of contraction was marginal and the weakest in the current sequence, with growth in staffing levels seen in both Germany and Ireland.

Meanwhile, price pressures intensified, though remained relatively benign when compared to the survey's historical average. Output charges continued to be cut, extending the current period of deflation to ten months.

Finally, there was a broad-based upturn in confidence according to December's survey, with optimism at its highest level for two-and-a-half years. Spanish and Italian service sector companies were the most confident of a rise in activity.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"The eurozone economy contracted for a second successive month in December, deteriorating at a slightly faster rate than previously thought at the end of the year due to intensifying COVID-19 restrictions. Service sector activity in particular fell more sharply than estimated by the earlier 'flash' PMI estimate, as more countries stepped up their fights against rising virus case numbers.

"While the data indicate a renewed decline in eurozone GDP in the fourth quarter, the downturn appears to have been far less severe than seen in the second quarter, thanks to sustained strong manufacturing growth, rising global trade and lockdowns having been less onerous than earlier in the year.

"Worse may be yet to come before things get better, especially as the latest survey data were collected before the news of the new – more contagious – strain of the virus. Service sector activity in particular looks likely to remain constrained by severe social distancing in the early months of the new year. The risk of a technical recession, with GDP also falling in the first quarter has therefore risen.

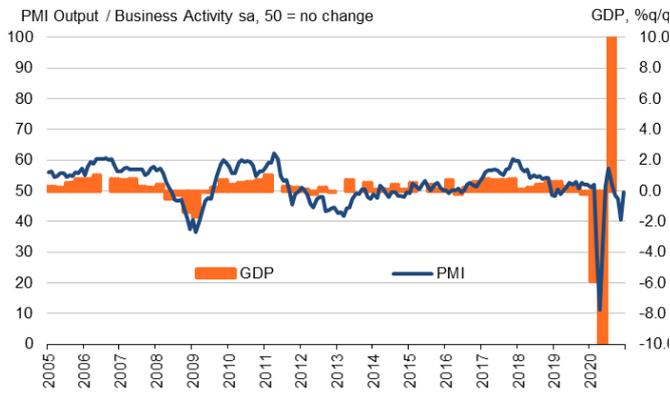
"More encouragingly, businesses grew more optimistic about their situation in one year's time, reflecting the light at the end of the tunnel offered by vaccine developments. A recovery will hopefully be seen from the second quarter onwards."

-Ends-

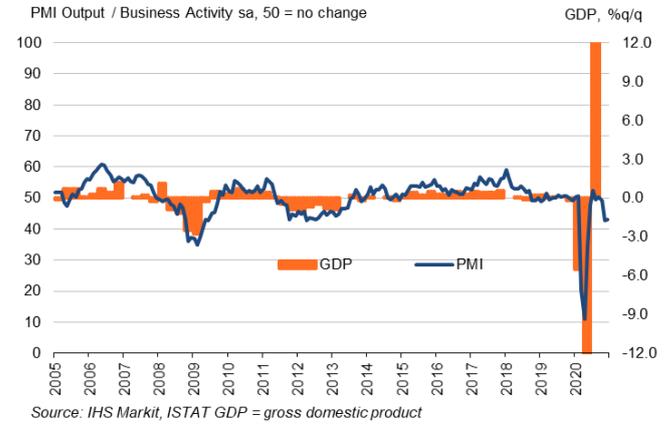
** [Click here](#) for further details of using the PMI to measure GDP in advance.

† 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.

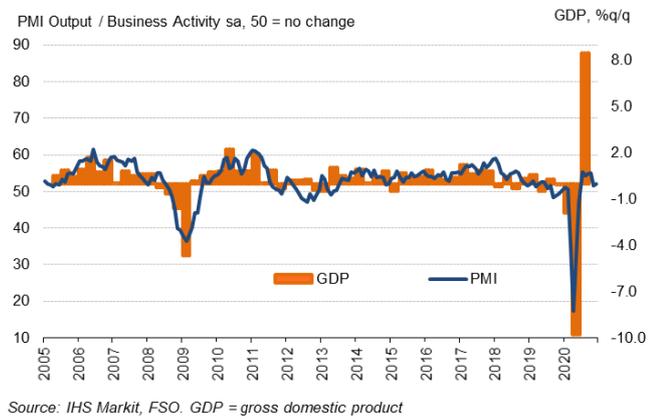
France



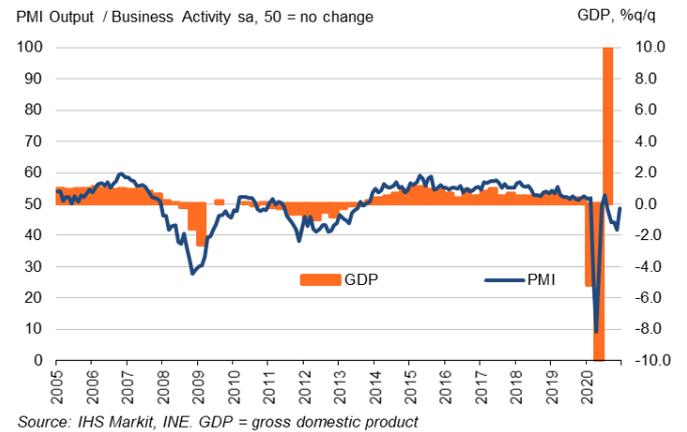
Italy



Germany



Spain



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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 December composite flash was based on 87% of the replies used in the final data. The December services flash was based on 84% 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 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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