

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

PMI drops to eight-month low as supply issues disrupt manufacturers

Key findings:

- Final Eurozone Manufacturing PMI at 58.3 in October (Flash: 58.5, Sep Final: 58.6)
- Headline index falls further as output and new order growth lose further momentum
- Supplier lead times lengthen drastically, pushing rates of inflation to new records

Data collected 11-22 October

Countries ranked by Manufacturing PMI: October

Netherlands	62.5	2-month high
Ireland	62.1	2-month high
Italy	61.1	4-month high
Austria	60.6	8-month low
Greece	58.9	2-month high
Germany	57.8 (flash: 58.2)	9-month low
Spain	57.4	7-month low
France	53.6 (flash: 53.5)	9-month low

IHS Markit Eurozone Manufacturing PMI



The eurozone manufacturing sector lost further momentum in October, latest PMI® data showed, as supply-side issues interrupted production schedules and dented order books, causing growth of both metrics to slow.

Firms' struggles to obtain manufacturing inputs was also clear in survey data, with supplier delivery times lengthening to one of the most severe extents on record. Subsequently, input cost and output price inflation rates surged to new survey peaks.

The final reading of the IHS Markit Eurozone Manufacturing PMI dipped to 58.3 in October, from the 'flash' estimate of 58.5 and down from 58.6 in September. Overall, this signalled the slowest improvement in manufacturing sector conditions since February.

PMI movements varied by euro area constituents during October. The fastest-growing manufacturing sectors, the Netherlands, Ireland and Italy respectively, all recorded stronger expansions, as did Greece. Meanwhile, the remaining monitored countries registered slowdowns, especially Germany and France, where the respective Manufacturing PMIs slumped to nine-month lows.

Supply-side issues were central to the softer expansion in the euro area manufacturing sector during October. Average lead times on input deliveries lengthened drastically and to the third-greatest extent in the survey history (since 1997), beaten only by those seen in May and June. Low shipping container availability, widespread shortages of components and raw materials and issues with transportation were all mentioned as sources of supply-chain pressures in October.

Difficulties in acquiring the inputs necessary for production was a frequently-cited reason by companies who lowered output in the latest survey period. Although production increased, the rate of expansion slumped to the slowest in the current 16-month growth sequence.

These issues had a similar impact on order books, according to firms. New business intakes continued to rise during October, but the rate of expansion was the weakest since January. Anecdotal evidence suggested that demand conditions had eased because of supply-side problems, as appetite for finished and semi-finished goods waned due to reduced availability. Similarly, new export orders* expanded at the weakest pace since the beginning of the year.

As a result of supply restraints, inventory trends moved in opposing directions during October. While stocks of finished goods fell as firms filled orders from their warehouses, pre-production inventories increased at the fastest rate on record as firms upped their efforts at building precautionary stocks due to ongoing shortages and lengthy lead times. Purchasing activity rose sharply in October, albeit at a rate unchanged on September's eight-month low.

Subsequently, inflationary pressures intensified across the euro area, with input costs and output prices both rising at new survey-record rates in October.

Elsewhere, backlogs of work continued to rise during October, once again reflecting the ill effects of supply-chain disruption as firms lacked the necessary components to complete production. Meanwhile, efforts to boost operating capacities continued as employment rose for the ninth month running.

Finally, although business confidence remained strong and above its historical average in October, the level of positive sentiment slumped to a one-year low.

* Includes intra-eurozone trade.

Comment

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

“Eurozone manufacturers reported a worsening of the supply chain situation in October, which curbed production growth sharply during the month. Average delivery times for raw materials lengthened at a rate exceeded only twice in almost a quarter of a century of survey data as companies reported demand once again running ahead of supply for a wide variety of inputs and components. Production constraints at suppliers were reported alongside a growing list of logistical issues. These include a lack of shipping containers and inadequate freight capacity, port congestion, driver shortages and broader transport delays linked mainly to the pandemic.

“These shortages have led to the weakest rise in factory output since the recovery began in July of last year, and also pushed inflationary pressures to new survey highs, raising further questions about just how transitory the recent spike in inflation will be.

“Business confidence also lost some ground to hit a one-year low in October, as increasing numbers of producers grew concerned about the supply situation and the impact of rising costs and prices, adding to the indications that manufacturers face some challenging months ahead.”

-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 October 2021 flash was based on 89% 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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