

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) January 2nd 2019

IHS Markit Eurozone Manufacturing PMI[®] – final data

Growth of eurozone manufacturing economy continues to falter

Key findings:

- Final Eurozone Manufacturing PMI at 51.4 in December (Flash: 51.4, November Final: 51.8)
- Fall in new work signalled for third month running
- Confidence about the future hits fresh six-year low during December

Data collected December 5-14

IHS Markit Eurozone Manufacturing PMI

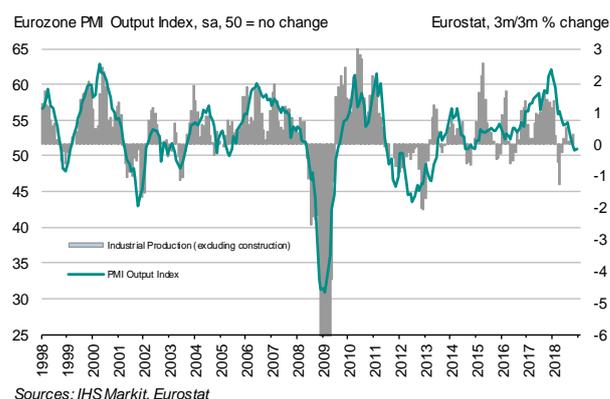


The slowdown of growth in the euro area's manufacturing economy, seen throughout much of 2018, carried on until the end of the year in December. After accounting for seasonal factors, the IHS Markit Eurozone Manufacturing PMI recorded a final reading of 51.4, unchanged from the flash estimate but down from 51.8 in November. Although extending the current run of expansion to five-and-a-half years, the latest PMI reading was the lowest seen since February 2016.

Latest data showed divergent trends by market group. Whilst growth in the consumer goods sector accelerated to a solid level, there was a deterioration of operating conditions for intermediate goods producers. Marginal growth was recorded in the capital goods category.

Countries ranked by Manufacturing PMI: December

Netherlands	57.2	3-month high
Ireland	54.5	9-month low
Austria	53.9	2-month low
Greece	53.8	2-month low
Germany	51.5 (flash: 51.5)	33-month low
Spain	51.1	28-month low
France	49.7 (flash: 49.7)	27-month low
Italy	49.2	2-month high



Once again, it was the euro area's 'big-four' economies that posted the lowest manufacturing PMI readings of all countries monitored during December. Latest data showed that Italy remained in contraction territory and was also joined by France, where PMI data showed a first deterioration in operating conditions for 27 months. Manufacturing growth in both Germany and Spain was modest, easing in each case to the weakest in around two-and-a-half years.

Slower growth was seen elsewhere except for the Netherlands, where the rate of expansion improved to its best in three months.

In line with the recent trend, underlying the slowdown in overall growth was further softness in new orders. For the third successive month, total new work placed with eurozone manufacturers fell and,

although modest, the contraction was the greatest in over four years amid reports of ongoing challenges in the autos industry plus wider political and economic instabilities. December's survey also saw a net fall in export trade, led by the sharpest decline for six years in Germany.

Nonetheless, eurozone manufacturers were able to eke out further growth of output. The modest increase in production, combined with a fall in new order flows, meant that firms were able to make inroads into their work outstanding. Backlogs declined for a fourth successive month and to the greatest degree since November 2014. Warehouse inventories also increased for a third successive month.

Meanwhile, job creation was sustained at the end of 2018, although growth was little changed on November's 26-month low. Manufacturers also showed a growing degree of pessimism about the future. Business confidence regarding output in a year's time was the lowest recorded by the survey since the end of 2012. Continued worries over global trade, ongoing political uncertainties and tightening financial conditions all served to undermine confidence during December.

There was some relatively positive news on the price front during December. Input cost inflation was down notably, easing back to its lowest level for 17 months. There were reports of reduced prices for oil-based products, although rising costs for metals (especially steel) and ongoing supply-side shortages ensured that overall inflation remained strong.

Manufacturers continued to pass on their higher costs wherever possible. However, in line with the trend for input prices, the rate of output charge inflation continued to soften and was the weakest recorded by the survey since July 2017. The strongest rises in prices were again seen in Germany and the Netherlands. In contrast, there was little change signalled in both Spain and Ireland, whilst an outright decline was recorded in Greece.

* Includes intra-eurozone trade.

Comment

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

"A disappointing December rounds off a year in which a manufacturing boom faded away to near-stagnation.

"The weakness of the recent survey data in fact raises the possibility that the goods producing sector could even act as a drag on the overall economy in the fourth quarter, representing a marked contrast to the growth surge seen this time last year. The last three months of 2018 saw manufacturers report the worst quarterly performance in terms of production since the second quarter of 2013.

"Worryingly, current production levels were achieved only by firms eating into backlogs of orders received in prior months and a dearth of new orders means capacity will be cut back in coming months unless demand revives. December saw a third consecutive monthly drop in new orders.

"More encouragingly, some of the recent weakness could prove temporary, being the result of protests in France and the auto sector struggling to adjust to new emissions regulations. However, the undercurrent of weak demand and growing risk aversion evident across the surveys suggests that any rebound could prove modest at best, with Brexit representing a particularly worrying unknown for the outlook."

-Ends-

For further information, please contact:

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email chris.williamson@ihsmarkit.com

Paul Smith, Economics Director
Telephone +44-1491-461-038

Email paul.smith@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email joanna.vickers@ihsmarkit.com

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 2018 flash was based on 91% 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

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>.

The intellectual property rights to the Eurozone Manufacturing *PMI*[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[®] and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).