

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 4th November 2020

IHS Markit Eurozone Composite PMI® – final data

Includes IHS Markit Eurozone Services PMI®

Eurozone economy stagnates at start of fourth quarter

Key findings:

- Final Eurozone Composite Output Index: **50.0** (Flash: 49.4, September Final: 50.4)
- Final Eurozone Services Business Activity Index: **46.9** (Flash: 46.2, September Final: 48.0)

Data collected October 12-27

The eurozone's private sector economy stagnated during October, as signalled by the **IHS Markit Eurozone PMI® Composite Output Index** posting a level of 50.0. Whilst an improvement on the earlier flash reading, the index was nonetheless down from 50.4 in September and ended a three-month period of growth.

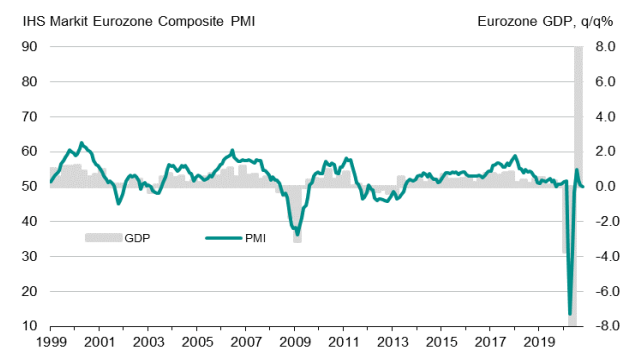
In line with recent developments, the headline index masked the continuation of a two-speed economy in October. Manufacturing output growth was sustained, and to the strongest degree in over two-and-a-half years. In stark contrast, service sector activity contracted again, deteriorating to the greatest degree since May.

There was also a notable divergence in activity at the national level. Led by a resurgent manufacturing sector, Germany was the only nation to register an expansion in private sector activity, with growth here reaching a three-month high.

All other nations registered contractions in activity since the previous month with Spain registering by far the sharpest fall, followed by France. Italy and Ireland recorded marginal declines in activity.

For the first time in four months, levels of incoming new business declined as strong gains in manufacturing new work were more than offset by weakness in services. There was some positive news on export sales, however, which rose for a second successive month.

IHS Markit Eurozone Composite PMI



Sources: IHS Markit, Eurostat.

Countries ranked by Composite PMI*:

Germany	55.0 (flash: 54.5)	3-month high
Italy	49.2	4-month low
Ireland	49.0	2-month high
France	47.5 (flash: 47.3)	5-month low
Spain	44.1	5-month low

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

A twentieth successive monthly decline in backlogs of work outstanding was signalled during October, although the rate of contraction was marginal and the weakest since February. Nonetheless, firms were able to comfortably keep on top of their workloads despite another round of job losses. An eighth successive monthly decline in employment was registered during October, albeit to the weakest degree in the current sequence.

By country, job losses were recorded across all nations, with the sharpest reduction seen in Spain. The weakest decline was recorded in Germany.

A fifth successive monthly increase in input costs was indicated during October. Inflation was solid and the strongest recorded since February, with similarly-sized increases seen across manufacturing and services.

The challenging business environment continued, however, to weigh on company pricing power. Latest data showed that average output charges declined for an eighth successive month, albeit marginally and at the weakest rate in the current sequence of deflation.

Looking ahead to the coming 12 months, business confidence remained in positive territory during October but fell to its lowest level since May.

Services

October's **IHS Markit Eurozone PMI® Services Business Activity Index** fell to a level of 46.9. Down from 48.0 in the previous month, the latest index reading was the lowest recorded by the survey since May and indicated a second consecutive monthly decline in activity.

All countries registered a fall in service sector activity, albeit to varying degrees. Germany registered the weakest decline, with the rate of contraction marginal. In contrast, Spain recorded the sharpest rate of contraction for five months.

A third successive monthly decline in levels of incoming new business was registered during October, with the rate of contraction accelerating to the sharpest for five months. Both internal and external demand was down. New export business declined for a twenty-sixth month in a row, and at a considerable rate.

Employment numbers were cut for an eighth successive month in October, although the rate of contraction was modest. Job losses were recorded across the region, with the exception of Germany where modest growth was registered.

Mild cost pressures persisted during October, as indicated by a fifth successive monthly rise in input costs. In contrast, competitive pressures and the weak demand environment led to another round of price discounting amongst euro area service providers.

Finally, confidence about the future sunk to a five-month low. Sentiment deteriorated most notably since September in Italy, whilst French service providers were the least optimistic overall.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"The eurozone's economic recovery stalled in October as containment measures were stepped up to fight second waves of COVID-19 infections. Service providers have been hit especially hard, led by intensifying weakness in consumer-facing sectors such as hospitality, offsetting the brighter news seen in manufacturing during the month.

"Optimism about the future also slumped sharply lower, sliding to the gloomiest since May as companies grew more anxious about the damaging impact of second waves of infections.

"With lockdown measures being tightened, it is becoming increasingly hard to see how the eurozone economy will avoid falling back into decline, especially as some countries, including France, Italy and Spain, are already contracting again.

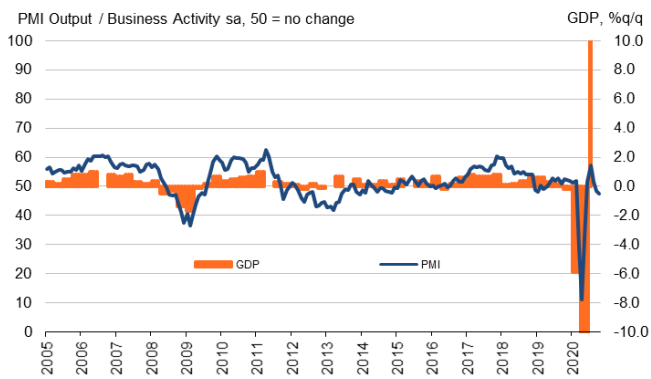
"Only in Germany has the strength of the manufacturing sector countered the renewed downturn in service sector activity, leading to increasingly polarised economic trends among the euro area's member states. However, for all countries the outlook has grown increasingly dark."

-Ends-

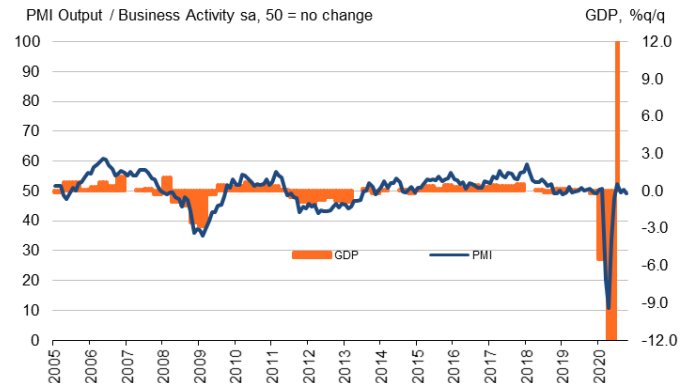
** [Click here](#) for further details of using the PMI to measure GDP in advance.

† 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.

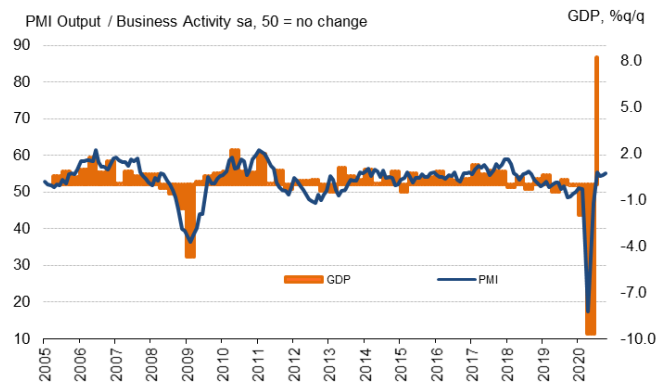
France



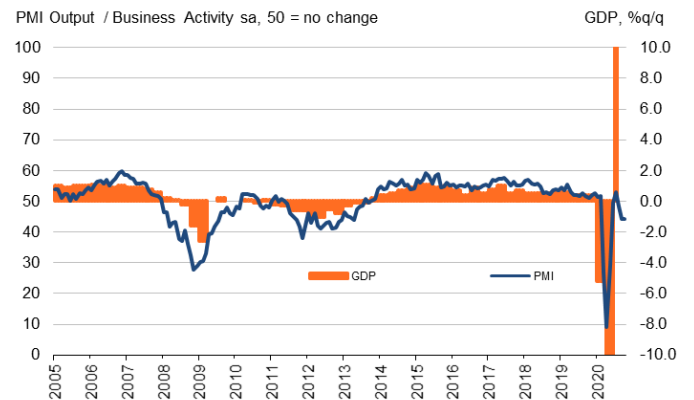
Italy



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 October composite flash was based on 87% of the replies used in the final data. The October services flash was based on 83% of the replies used in the final data. **Data were collected 12-27 October.**

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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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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