

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

Manufacturing growth falls to 26-month low in October

Key findings:

- Final Eurozone Manufacturing PMI at 52.0 in October (Flash: 52.1, September Final: 53.2)
- Fall in order books as exports decline for the first time in nearly five-and-a-half years
- Trade concerns push confidence down to lowest level since December 2012

Data collected October 11-24

IHS Markit Eurozone Manufacturing PMI



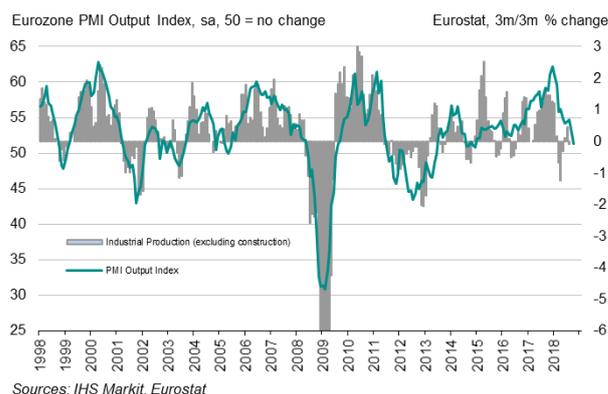
The ongoing growth slowdown of the eurozone manufacturing economy continued at the start of the fourth quarter.

Falling for a third month in succession and remaining well down on the record highs seen around the turn of the year, the IHS Markit Eurozone Manufacturing PMI declined to a level of 52.0 in October. That compared to 53.2 in September and was broadly unchanged on the earlier flash reading of 52.1.

Market groups data showed that the slowdown in growth was broad-based. Intermediate goods producers fared worst recording concurrent falls in output, new orders and exports. Consumer goods showed some resilience, registering solid rises in both output and new work.

Countries ranked by Manufacturing PMI: October

Netherlands	57.1	21-month low
Ireland	54.9	7-month low
Austria	53.8	25-month low
Greece	53.1	6-month low
Germany	52.2 (flash: 52.3)	29-month low
Spain	51.8	2-month high
France	51.2 (flash: 51.2)	25-month low
Italy	49.2	46-month low



Slower manufacturing growth was recorded across much of the single currency area in October.

Most notably, Italy slipped into contraction territory, registering its lowest PMI reading in just short of four years. Growth in Germany was the weakest in nearly two-and-a-half years, whilst France and Spain registered only modest gains in manufacturing activity.

In contrast, the Netherlands continued to record strong growth, though even here the pace of expansion was the lowest in 21 months. Ireland, Austria and Greece all continued to record solid, but slower, rates of expansion.

The downturn in overall growth was closely linked to a deterioration in overall order books. Although marginal, the net fall in new work was the first

recorded by the survey since November 2014 and was closely linked to the weakening global trade cycle. This was highlighted by a decline in new export orders for the first time since mid-2013. By country, declines in export sales were recorded in Austria, France, Germany and Italy, whilst there were notable slowdowns in export growth seen in the Netherlands and Ireland.

Despite the fall in new orders, the manufacturing sector nonetheless recorded a net increase in production during October. However, growth was modest and the weakest since December 2014. An excess of production relative to new order book flows led to a marginal rise in warehouse inventories and a slight reduction in manufacturers' backlogs of work.

Employment growth was sustained in October but continued to slow, easing to the weakest recorded by the survey since December 2016. Although all nations recorded higher employment, growth rates varied noticeably. Austria, Germany and the Netherlands continued to register the strongest net gains in employment, in contrast to broad stagnation in France. Only modest jobs growth occurred in Italy and Spain.

Meanwhile, input price pressures intensified on the back of rising energy, food, fuel and metals prices. Latest data showed input price inflation accelerating since September and remaining at an elevated level. Output charges were raised where possible in response, with the net increase remaining historically marked, albeit the lowest in 14 months.

Finally, business confidence slumped in October to the lowest level since the end of 2012. There remained widespread worries amongst manufacturers with regards to the development of global trade protectionism measures, potentially higher tariffs and ongoing political uncertainties. All nations recorded a fall in confidence, with German manufacturers recording outright pessimism for the first time in four years.

* Includes intra-eurozone trade.

Comment

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

“Concerns about the Eurozone manufacturing sector intensified at the start of the fourth quarter. The headline PMI fell to its lowest since August 2016, signalling a further slowing in the rate of expansion. New orders fell into decline for the first time in almost four years as trade woes escalated. Export sales fell for the first time in over five years.

“Moreover, the survey suggests that the manufacturing sector could contract in the fourth quarter unless the data revive in coming months. However, with backlogs of work falling for a second successive month, and business expectations sliding to the lowest for nearly six years, risks seem firmly tilted towards the downside heading towards the end of the year.

“While there was some evidence that the autos sector acted as a drag again in October, with car makers struggling with new emission regulations, the manufacturing sector’s problems look broad-based. Growing risk aversion, linked in turn to worries about the global economic environment, trade war worries, political uncertainty and rising prices, appears to be hitting demand for a wide variety of goods. The steepest drop in output and orders was seen in the intermediate goods sector, which comprises suppliers of inputs to other manufacturers.

“The combination of destocking, deteriorating order books and drop in business optimism will add to concerns that growth risks are shifting to the downside rather than being “broadly balanced”, as indicated by the ECB.”

-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 2018 flash was based on 93% 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	0.2

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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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