IHS Markit Eurozone Manufacturing PMI® – final data

Eurozone manufacturing growth continues to strengthen in October

Key findings:
- Final Eurozone Manufacturing PMI at 54.8 in October (Flash: 54.4, September Final: 53.7)
- Germany drives sharper rises in regional output and new orders
- Backlogs rise markedly, but firms continue to cut employment in October

The IHS Markit Eurozone Manufacturing PMI® indicated a further improvement in manufacturing sector growth during October. After accounting for seasonal factors, the headline index moved up to 54.8, from 53.7 in September and better than the earlier flash reading. October’s number was also the best recorded by the survey for 27 months and maintained the current run of continuous growth that began in July.

Growth was seen across all three market groups during October, albeit to varying degrees. The fastest expansion was seen in investment goods, where growth improved to its highest level for over two years. A solid gain was seen in intermediate goods, but growth weakened to a marginal pace amongst consumer goods producers.

Germany was again the best-performing country, with the respective PMI hitting its highest level for over two-and-a-half years. Austria experienced its best PMI outcome for nearly two years, whilst Italy saw an acceleration in growth to a 31-month high.

Elsewhere, Spain saw a solid expansion, but growth was only modest in France and marginal in both the Netherlands and Ireland. Greece was the only country to record a deterioration in operating conditions.

A fourth successive monthly increase in manufacturing production was recorded during October, with the rate of growth strengthening to its sharpest for over two-and-a-half years. A similarly sized increase in new orders was also recorded, with growth in October the best seen since the start of 2018. Germany led the way in terms of both output...
and orders, with growth in the latter a national survey record.

Gains in overall new orders reflected stronger demand from both domestic and external clients. New export business rose at a noticeable rate that was the best recorded by the survey since February 2018.

Sharply rising levels of new business helped to drive growth of work outstanding for a third successive month. Moreover, the rate of increase was the sharpest recorded by the survey since February 2018. Despite this, employment levels continued to be cut, extending the current period of contraction to a year-and-a-half.

Manufacturers raised their purchasing activity at a marked pace during October, with growth the best since early-2018. This raised pressure on suppliers, who struggled to keep up with heightened demand, as evidenced by another notable lengthening of lead times (the sharpest for five months).

Companies subsequently chose to utilise inventories of raw materials and semi-manufactured goods, with latest data showing a twenty-first successive monthly decline in stocks. Inventories of finished goods were also depleted markedly, falling for a fifth successive month.

Price data indicated a third successive monthly increase in average input costs, with the rate of inflation the fastest for 20 months. Firms were able to pass on a proportion of their higher input costs to clients as signalled by a first, albeit marginal, increase in output charges since June 2019.

Looking ahead to future production, business confidence remained positive for a fifth successive month. Italian and German manufacturers were the most optimistic about output over the coming 12 months.

* Includes intra-eurozone trade.

Comment

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

“Eurozone manufacturing boomed in October, with output and order books growing at rates rarely exceeded over the past two decades. However, while the data bode well for production during the fourth quarter, the expansion is worryingly uneven.

“By country, Germany was once again the star performer by a wide margin, as factories reported a surge in new orders that surpassed anything previously seen in the survey’s 25-year history. Italy, Spain and Austria also saw encouraging improvements in their recovery rates, but France, Ireland and the Netherlands all reported only modest growth and Greece has slipped back into contraction.

“Germany’s outperformance to a large extent reflects the recent pattern of demand growth. While orders for autos, business equipment and machinery have surged as the global economy has revived after lockdowns, benefitting German producers in particular, new orders for consumer goods came close to stalling in October, with exports even showing a renewed decline, blamed on rising COVID-19 infection rates, weakened labour markets and subdued consumer sentiment.

“The renewed weakness of consumer-facing businesses serves as a reminder that, while manufacturing as a whole may be booming for now, the sustainability of the recovery will depend on household behaviour returning to normal and labour markets strengthening. Given second waves of virus infections, this still looks some way off.”

-Ends-
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 2020 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):

<table>
<thead>
<tr>
<th>Index</th>
<th>Average difference</th>
<th>Average difference in absolute terms</th>
</tr>
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<tbody>
<tr>
<td>Eurozone Manufacturing PMI</td>
<td>0.0</td>
<td>0.1</td>
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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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