

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

Manufacturing growth remains marked at start of 2021

Key findings:

- Final Eurozone Manufacturing PMI at 54.8 in January (Flash: 54.7, December Final: 55.2)
- Marked gains in new orders and output sustained
- Delivery delays intensify, leading to rapid rise in purchase prices

Data collected 12-22 January

Countries ranked by Manufacturing PMI: January

Netherlands	58.8	28-month high
Germany	57.1 (flash: 57.0)	4-month low
Italy	55.1	34-month high
Austria	54.2	26-month high
Ireland	51.8	3-month low
France	51.6 (flash: 51.5)	6-month high
Greece	50.0	4-month high
Spain	49.3	7-month low

IHS Markit Eurozone Manufacturing PMI

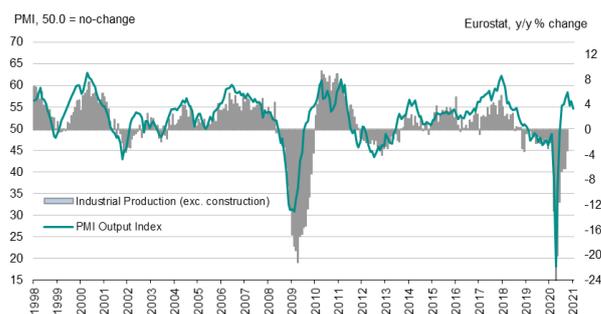
Eurozone Manufacturing PMI, sa, 50 = no change



Source: IHS Markit.

Growth of the Eurozone manufacturing economy remained resilient at the start of 2021, with the sector expanding for a seventh successive month and again at a marked pace. After accounting for seasonal factors, the PMI[®] recorded 54.8, down slightly on December's 55.2 and little-changed on the earlier flash reading. January's figure was amongst the highest seen over the past two-and-a-half years.

Growth was recorded across all three broad market groups during the latest survey period. However, the improvement in operating conditions seen at consumer goods producers was marginal amid a drop in new orders. In contrast, marked rates of expansion continued to be recorded in both the intermediate and investment goods sectors at the start of 2021.



Source: IHS Markit, Eurostat

The best manufacturing growth was again seen in those countries with strong export bases, the Netherlands and Germany. In the Netherlands, expansion was the sharpest seen for over two years.

Italy also turned in its best performance for nearly three years, whilst there was also marked growth seen in Austria.

Elsewhere, rates of expansion tended to be modest or, in the case of Greece, stagnant. Spain was the only country to record a contraction, slipping to the bottom of the rankings, though this in part reflected the disruptive effects on production of Storm Filomena.

Overall, eurozone manufacturing production increased for a seventh successive month, although the rate of expansion was the weakest in the current sequence. Similar developments were seen for new orders. Whilst the current growth sequence was also

extended to seven months, the rate of expansion was down since December. That was despite export trade* registering its best growth performance in the past three months.

With overall new order book volumes increasing markedly, manufacturing companies faced further pressure on their capacity as evidenced by another month of backlog growth. January marked the sixth successive month that work outstanding has risen, although growth was the weakest since last September.

A noticeable development in January was a further worsening of supplier delivery times, which deteriorated for a twelfth successive month. Latest data showed that lead times lengthened to a degree unmatched since April 2020 amid evidence of challenges in securing supplies from Asia. Another marked rise in purchasing activity, the fifth successive increase, added to pressure on vendors.

With supply-side shortages intensifying, prices paid for inputs increased markedly. January's survey showed that input costs rose to the greatest degree in nearly three years with Germany, the Netherlands and Italy recording the sharpest monthly increases. Whilst firms sought to pass on these higher costs on to clients, the overall rate of inflation was modest and noticeably weaker than input costs.

Faced with delays in the receipt of goods, companies utilised their existing inventory wherever possible, resulting in a firmer decline in stocks of purchases. There was also another round of destocking of finished goods, which fell for an eighth successive month albeit at the slowest rate since last June.

On the jobs front, companies on average cut their staffing levels, albeit at the weakest pace since June 2019 and some nations led by Italy and the Netherlands recording net rises in employment.

Finally, looking ahead to the next 12 months, confidence improved to a three-year high in January largely on hopes that vaccine developments in the coming months will help to ease current pandemic restrictions and lead to a noticeable uplift in economic activity.

* Includes intra-eurozone trade.

Comment

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

“Eurozone manufacturing output continued to expand at a solid pace at the start of 2021, though growth has weakened to the lowest since the recovery began as new lockdown measures and supply shortages pose further challenges to producers across the region.

“Supply chain delays worsened during the month to a degree only exceeded once – during the global lockdowns early last year – in more than two decades of survey history.

“At the moment, manufacturing is providing an important support to the economy as the service sector is hit by COVID-19 restrictions, but this support is waning. Consumer goods producers in particular are struggling. While future prospects brightened, with manufacturers’ optimism striking a three-year high in January to sound a reassuring note of confidence at the start of the year, any potential delays to the vaccine roll-outs will add an additional layer of uncertainty to the outlook.

“Supply shortages have meanwhile put pricing power in the hands of suppliers, pushing raw material prices sharply higher. Increased shipping costs are adding to the burden. These price pressures should ease once more supply capacity comes online, although there remains some uncertainty about how much pent-up demand exists and how sticky these higher prices may prove to be.”

-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 January 2021 flash was based on 92% 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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