

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) January 4th 2019**

## IHS Markit Eurozone Composite PMI® – final data

Includes IHS Markit Eurozone Services PMI®

### Slowest growth in over four years during December

**Key findings:**

- Final Eurozone Composite Output Index: **51.1** (Flash: 51.3, November Final: 52.7)
- Final Eurozone Services Business Activity Index: **51.2** (Flash: 51.4, November Final: 53.4)

Data collected December 5-18

The **IHS Markit Eurozone PMI® Composite Output Index** moved closer to the 50.0 no-change mark in December. Registering a final reading of 51.1, down from 52.7 in November and lower than the earlier flash estimate of 51.3, the index was at its weakest level for over four years.

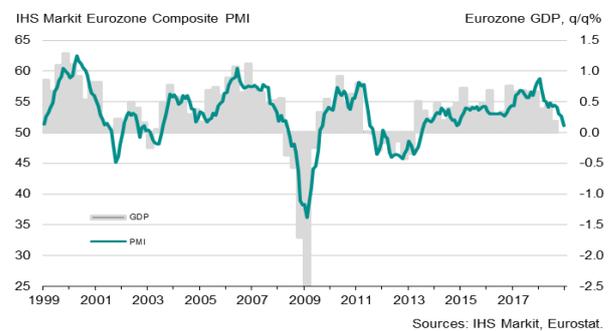
The slowdown in growth during December in part reflected lower activity in France, where the ‘gilets jaunes’ movement reportedly led to a first fall in economic output for two-and-a-half years.

That said, growth tended to weaken elsewhere, led by Germany which registered its weakest outturn for five-and-a-half years. Italy bucked the broader downward trend, though output merely stabilised following two months of contraction.

The manufacturing and service sectors registered broadly similar modest growth outturns during December. Goods producers recorded a slightly better increase in production than in November, but this was only achieved via a reduction in work outstanding and an accumulation of warehouse inventories rather than any improvement in demand.

On the contrary, new orders received by manufacturers deteriorated to the greatest extent in over four years. With inflows of new business to service providers rising only modestly, composite data showed the weakest growth in new work since the end of 2014.

#### IHS Markit Eurozone Composite PMI



#### Countries ranked by Composite PMI\*:

Ireland	55.5	9-month low
Spain	53.4	3-month low
Germany	51.6 (flash: 52.2)	66-month low
Italy	50.0	3-month high
France	48.7 (flash: 49.3)	49-month low

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

In spite of the slowdown of growth in activity and new work, labour market conditions in the eurozone continued to strengthen. Job numbers increased in December for a fiftieth month in succession with the latest growth again solid, despite easing to the lowest since the start of 2017.

Job creation remained strongest in Germany and Ireland as firms here sought to keep on top of workloads. Latest data suggested that such efforts were broadly successful as backlogs of work across the eurozone fell for the first time since January 2015.

The latest data on prices indicated that input costs continued to increase at an elevated rate at the end of 2018. Wage and salary pressures remained a key driver of cost pressures. However, with oil-related goods reported to be dropping in price,

especially for manufacturers, the net rise in overall input prices was the weakest recorded by the survey since August 2017. Output prices also rose at a slower rate in December, with latest data showing inflation at its weakest for 15 months.

Business confidence continued to soften in December, slipping to its lowest level since October 2014. In line with recent surveys, political and economic uncertainties relating to global trade and Brexit weighed on expectations. Sentiment remained especially low in Germany (the weakest since October 2014).

## Services

The **IHS Markit Eurozone PMI<sup>®</sup> Services Business Activity Index** declined for a third successive month during December to hit its lowest level in over four years. After accounting for seasonality, the index recorded 51.2, down from November's 53.4 and indicative of modest growth.

French services activity fell for the first time since June 2016, reflecting a disruption to activity from the recent 'gilet jaunes' movement. Meanwhile, growth in Germany was the slowest since September 2016 and activity in Italy rose only marginally. More positively, Spanish service sector growth was unmoved at a robust rate.

New business volumes in the services economy increased at the weakest rate for four years in December. Nonetheless, job creation remained solid overall and helped companies to keep on top of workloads. Outstanding business increased at the weakest rate since September 2016.

Despite evidence of lower fuel and energy costs, input price inflation remained high during December. Higher labour costs were a key source of inflation, according to service providers. Output charges also continued to rise at a solid pace, underpinned by strong inflation in Germany and Ireland. In contrast, Italian service providers recorded the sharpest discounting for over two years.

Finally, business confidence amongst service providers continued to deteriorate at the end of 2018. Latest data showed that sentiment was the lowest recorded by the survey for four years,

reflecting weaker confidence in France and Germany.

## Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

*"The eurozone economy moved down another gear at the end of 2018, with growth down considerably from the elevated rates at the start of the year. December saw business activity grow at the weakest rate since late-2014 as inflows of new work barely rose. Levels of unfinished business are now falling for the first time in nearly four years as previously-received orders are not being fully replaced with new work.*

*"The data are consistent with eurozone GDP rising by just under 0.3% in the fourth quarter, but with quarterly growth momentum slowing to 0.15% in December.*

*"While a drop in business activity in France could be partly blamed on the 'yellow vest' protests, the rest of the region lacks any such mitigating factors, albeit with the recent weakness of the autos sector hopefully a temporary set-back.*

*"Importantly, with expectations of output dropping to the lowest for over four years, companies are not anticipating any imminent revival in demand. Worries reflect multiple headwinds from trade wars, Brexit, heightened political uncertainty, financial market volatility and slower global economic growth.*

*"Employment growth has already taken a knock as companies take a more cautious approach to hiring in the face of weaker order books. Jobs growth has hit a two-year low.*

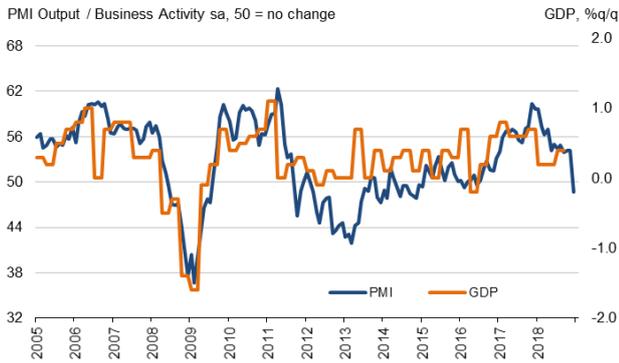
*"Better news came in the form of an easing in price pressures to the lowest for over a year, which should provide some breathing space for the European Central Bank to review its policy guidance."*

-Ends-

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

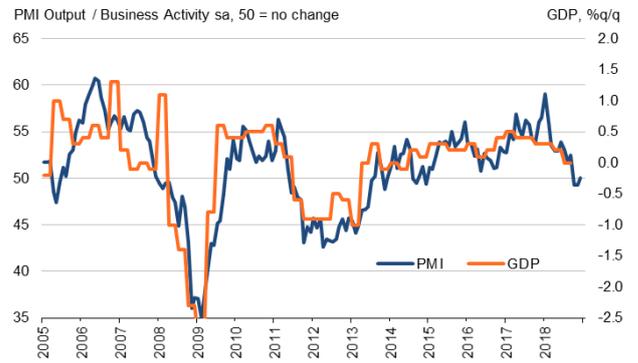
† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

## France



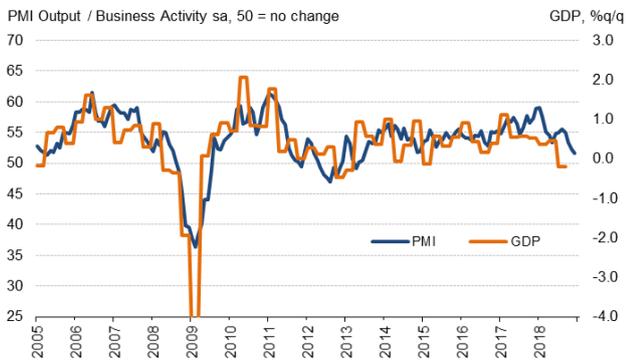
Source: IHS Markit, INSEE GDP = gross domestic product

## Italy



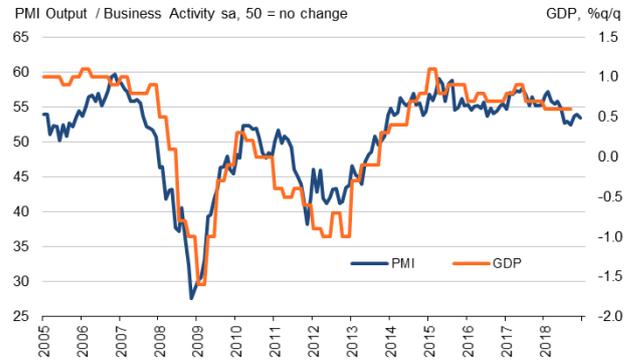
Source: IHS Markit, ISTAT GDP = gross domestic product

## Germany



Source: IHS Markit, FSO. GDP = gross domestic product

## Spain



Source: IHS Markit, INE. GDP = gross domestic product

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**Note to Editors:**

The Eurozone Composite *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) 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 December composite flash was based on 86% of the replies used in the final data. The December services flash was based on 79% of the replies used in the final data. **Data were collected 5-18 December.**

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](mailto:economics@ihsmarkit.com).

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