

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 24 January 2019**

## IHS Markit Flash Eurozone PMI<sup>®</sup>

### Euro area business growth close to stalling at 5½ year low in January

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 50.7 (51.1 in December). 66-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 50.8 (51.2 in December). 65-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 50.4 (51.0 in December). 67-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 50.5 (51.4 in December). 50-month low.

Data collected January 11-23

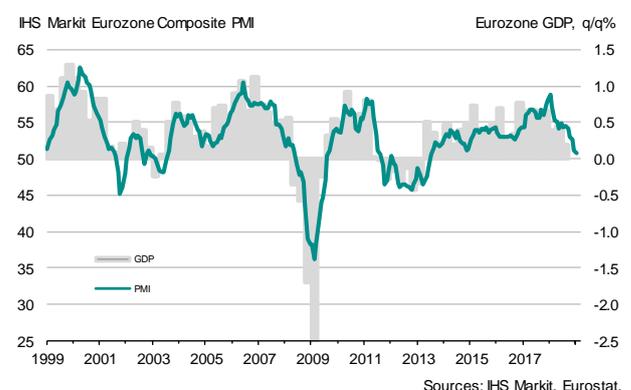
The euro area economy edged closer to stagnation at the start of 2019, with businesses reporting the weakest rise in output for five-and-a-half years and the first fall in demand for over four years.

The IHS Markit Eurozone Composite PMI<sup>®</sup> fell to 50.7 in January from 51.1 in December, its lowest since July 2013, according to the preliminary 'flash' reading. The flash estimate is typically based on approximately 85% of the final number of replies received each month. The latest reading indicated only marginal growth of business output, contrasting markedly with the strong rates of expansion seen this time last year.

Both manufacturing and services saw growth slow closer to stagnation. The factory sector reported the weakest expansion since the current production upturn began in July 2013, while the service sector expansion was the smallest since August 2013.

Inflows of new work fell compared to December, registering the first such decline since November 2014 and signalling the largest drop in demand for goods and services since June 2013.

#### IHS Markit Eurozone PMI and GDP



New orders for goods fell for a fourth successive month, declining at a rate not seen since April 2013, while inflows of new business in the service sector slipped into decline for the first time since July 2013.

Deteriorating exports contributed to the disappointing order book picture. Exports fell for a fourth successive month, dropping at the steepest rate since comparable data for combined manufacturing and services exports were first available just over four years ago. Services saw exports decline at an increased rate.

Outstanding work decreased for the second consecutive month, worsening at the sharpest pace since December 2014. Falling backlogs were commonly caused by companies having to eat into back-orders in order to support current output growth amid reduced inflows of new business.

The decline in order books was a key factor behind a reduction in the pace of overall job creation to the lowest since September 2016. Jobs growth has now cooled for five months in a row. Employment growth waned in both sectors, though services saw an especially marked slowdown.

Looking ahead, future optimism improved slightly during the month, though remained close to recent four-year lows to reflect a gloomier picture than seen throughout much of last year. Company concerns centred on the overall bleaker economic picture developing for the year ahead, often linked to international trade tensions, Brexit and rising political stress, especially in France and Italy but also globally. The weakness of the auto sector also remained a key area of concern.

Analysing trends within the region, businesses in France reported an increased rate of decline, blamed on the combination of disruptions caused by on-going 'Gilets Jaunes' protests and a generally weakened demand environment. Output fell in both manufacturing and services, resulting in the largest overall drop in business activity since November 2014.

In Germany, output growth picked up compared to December thanks to faster growth in the service sector, but the monthly expansion was still the second-weakest seen over the past four years. The headline manufacturing PMI recorded the first deterioration in business conditions since November 2014, fuelled by the largest falls in factory orders and exports seen since December 2012.

Elsewhere, the rate of output growth sank to its lowest since November 2013, slowing to only weak rates in both manufacturing and services. New order growth was likewise the weakest since November 2013, led by the first fall in manufacturing for five-and-a-half years.

Looking at prices, average output charges meanwhile rose at a slightly increased rate, in part due to rising selling prices in Germany associated with increased road toll charges as well as some signs of upward wage pressures. However, there was better news on input cost inflation, which moderated to the lowest for nearly one-and-a-half years. Softer cost inflation principally reflected lower oil prices and easing capacity constraints in supply chains, allowing firms to negotiate lower prices in many instances. The incidence of supplier delays was the lowest for two-and-a-half years.

Both input cost and selling price inflation eased in manufacturing but picked up slightly in services.

## Comment

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

*"The Eurozone economy slipped closer to stall speed in January, with companies reporting the first drop in demand for over four years. The disappointing survey data indicate that GDP is rising at a quarterly rate of just 0.1%.*

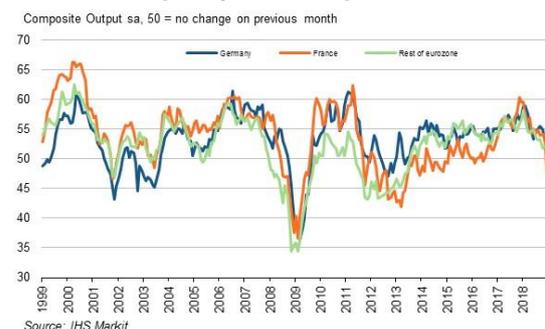
*"Both the manufacturing and service sectors are close to stagnation, highlighting the broad-based nature of the current slowdown. Ongoing auto sector weakness, Brexit worries, trade wars and the protests in France were again widely cited as factors dampening growth, but the survey responses indicate that a deeper malaise has set in at the start of the year. Companies are concerned about a wider economic slowdown gathering momentum, with rising political and economic uncertainty increasingly affecting risk appetite and demand.*

*"The 'yellow vest' protests led to the steepest downturn in the French economy since November 2014, consistent with GDP falling in the first quarter if these levels continue in coming months. But German businesses are also reporting their toughest spell for four years, led by the manufacturing sector slipping into decline for the first time since 2014, in turn reflecting the largest drop in exports for six years.*

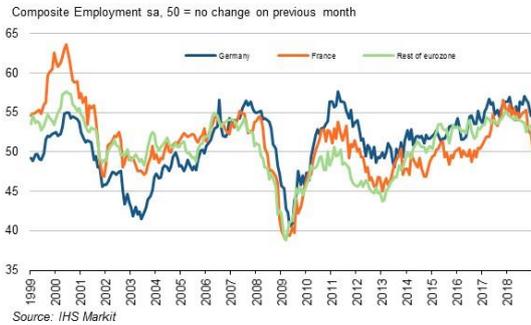
*"The survey's output and price gauges have both now fallen into territory more associated with the ECB loosening rather than tightening policy, raising pressure on the central bank to acknowledge that downside risks to the outlook now predominate."*

-Ends-

## Core v. Periphery PMI Output Indices



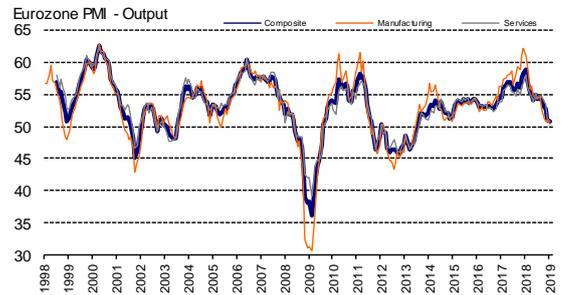
## Core v. Periphery PMI Employment Indices



## Summary of January data

<b>Output</b>	<b>Composite</b>	<b>Slowest rise in activity for five-and-a-half years.</b>
	Services	Growth of activity eases to weakest since August 2013.
	Manufacturing	Production growth at 67-month low.
<b>New Orders</b>	<b>Composite</b>	<b>New orders decrease.</b>
	Services	Stagnation of new business.
	Manufacturing	New orders drop at faster rate.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Backlogs fall for second month running.</b>
	Services	First reduction in outstanding business for 32 months.
	Manufacturing	Backlogs decrease for fifth month running.
<b>Employment</b>	<b>Composite</b>	<b>Employment growth moderates.</b>
	Services	Modest rise in staffing levels.
	Manufacturing	Job creation maintained at solid pace.
<b>Input Prices</b>	<b>Composite</b>	<b>Weakest rise in input prices for 17 months.</b>
	Services	Input costs continue to increase sharply.
	Manufacturing	Slowest cost inflation since October 2016.
<b>Output Prices</b>	<b>Composite</b>	<b>Solid increase in output prices.</b>
	Services	Charge inflation accelerates.
	Manufacturing	Slower increase in selling prices.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at 50-month low of 50.5.

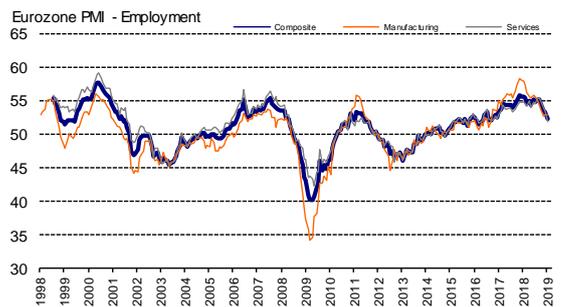
## Output



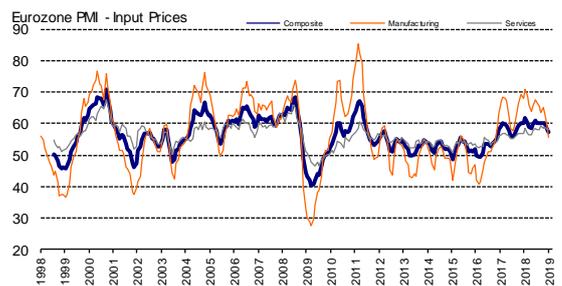
## New business



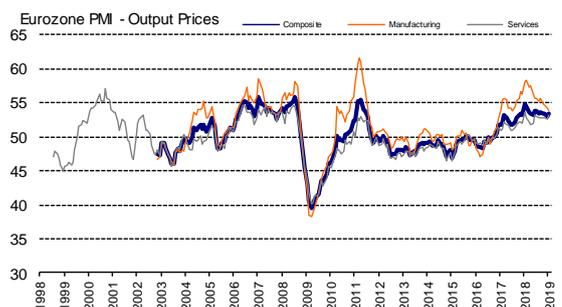
## Employment



## Input prices



## Output prices



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**Note to Editors:**

Final January data are published on 1 February for manufacturing and 5 February for services and composite indicators.

The Eurozone *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 companies based in the euro area manufacturing and service sectors. 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 flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* 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 Composite Output Index <sup>1</sup>	0.0	0.2
Eurozone Manufacturing <i>PMI</i> <sup>2</sup>	0.0	0.1
Eurozone Services Business Activity Index <sup>2</sup>	0.0	0.3

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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).

**Notes**

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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**About PMI**

Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) 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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