

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 14 December 2018**

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

### Eurozone business growth slides to four-year low at end of 2018

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 51.3 (52.7 in November). 49-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 51.4 (53.4 in November). 49-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 51.0 (50.7 in November). 2-month high.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 51.4 (51.8 in November). 34-month low.

Data collected December 5-13

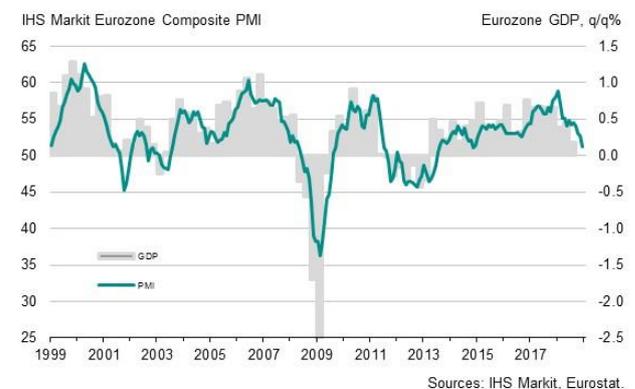
The latest flash PMI survey data indicate that growth of business activity in the euro area slowed to the weakest for over four years in December. New business inflows almost stalled, job creation slipped to a two-year low and business optimism deteriorated. An undercurrent of slowing economic growth was exacerbated by protests in France and on-going weak demand for autos. Upward price pressures meanwhile eased.

The IHS Markit Eurozone Composite PMI<sup>®</sup> fell from 52.7 in November to 51.3 in December, its lowest since November 2014, according to the preliminary 'flash' reading, which is based on approximately 85% of usual monthly replies.

The latest reading indicated only modest output growth, in turn reflecting a near-stalling of growth in new work, which registered the smallest increase since December 2014. New export orders (which include intra-eurozone trade) fell for the third successive month, recording the steepest decline since the series began over four years ago.

The reduced inflow of new business meant firms often resorted to eating into backorders to support current activity, meaning backlogs of work fell for the first time in almost four years.

#### IHS Markit Eurozone PMI and GDP



Hiring came under pressure as the weakening order book situation often promoted greater caution in taking on new staff. The monthly job gain was the smallest for two years as a result.

Manufacturing remained especially subdued. Although factory output growth picked up slightly, producers nonetheless reported the second-smallest increase for four years. With goods orders falling for a third successive month, dropping at the steepest rate for four years, and factory optimism sliding to a six-year low, the forward-looking indicators suggest the production trend could weaken again.

Growth meanwhile slowed sharply in the service sector to the weakest since November 2014, albeit remaining slightly above that of manufacturing. Service sector new business and future expectations also slipped to four-year lows.

The anecdotal evidence provided in the December survey saw growing concerns over global trade and economic growth, rising political uncertainty, Brexit and tighter financial conditions. Widespread reporting was again seen of especially

disappointing sales and production in the autos sector.

Disruptions to business and travel in France arising from the ‘gilets jaunes’ protests meanwhile added to the weaker demand environment, contributing to the first fall in French business activity for two-and-a-half years. Output fell in both manufacturing and services.

In Germany, output grew at the slowest rate for four years. The service sector maintained a slightly faster rate of expansion than manufacturing, despite the latter registering slightly improved production growth as firms increasingly ate into backlogs. New orders placed at German factories fell for a third month running, dropping at the steepest rate for just over four years.

Elsewhere, the rate of output growth ran slightly above the eurozone average for the first time since May, but nevertheless deteriorated to the weakest for just over five years.

Cost pressures remained elevated but eased to the weakest since April. Cost inflation was alleviated by lower oil and other commodity prices, as well as fewer supply constraints relative to demand in much of the region (the incidence of supply chain delays was the lowest for almost two years), France being a notable exception.

Output price inflation also cooled to the lowest since September of last year, though remained far stronger in Germany than in France or the rest of the region as a whole.

## Comment

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

*“The Eurozone economy saw a disappointing end to 2018, with growth slowing to the weakest for four years. While some of the slowdown reflected disruptions to business and travel arising from the ‘yellow vest’ protests in France, the weaker picture also reflects growing evidence that the underlying rate of economic growth has slowed across the euro area as a whole.*

*“Companies are worried about the global economic and political climate, with trade wars and Brexit adding to increased political tensions within the euro area. The surveys also point to further signs that the struggling autos sector continued to act as a drag on the region’s economy.*

*“While GDP growth in the fourth quarter as a whole is indicated at almost 0.3%, the surveys point to quarterly GDP growth momentum slipping closer to 0.1% in December alone. Forward-looking indicators such as new orders and future expectations remaining subdued suggest that demand growth is stalling, adding to downside risks to the immediate outlook.*

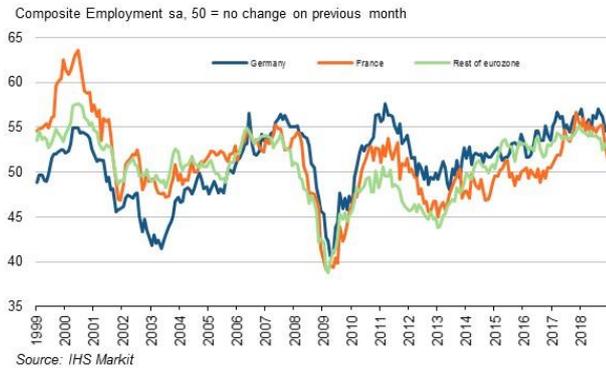
*“The survey also brought signs that lower oil prices are feeding through to lower selling price inflation, though price trends remained very varied across the region. Germany continues to report the highest rates of increase, in part linked to higher wage growth.”*

-Ends-

## Core v. Periphery PMI Output Indices



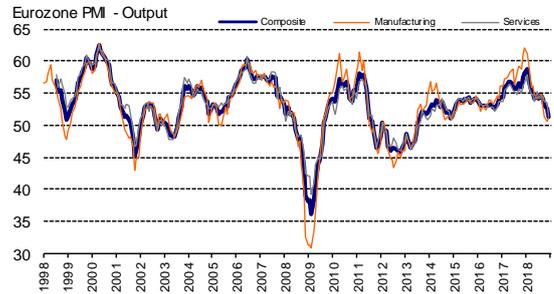
### Core v. Periphery PMI Employment Indices



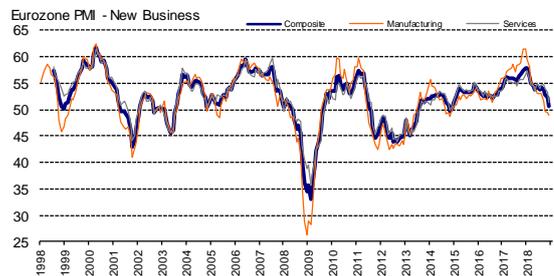
### Summary of December data

<b>Output</b>	<b>Composite</b>	<b>Output growth weakest in over four years.</b>
	Services	Slowest rise in services activity since November 2014.
	Manufacturing	Expansion of production quickens slightly.
<b>New Orders</b>	<b>Composite</b>	<b>Marginal increase in new business.</b>
	Services	New order growth at 48-month low.
	Manufacturing	Third successive fall in new business.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>First decline in outstanding business since January 2015.</b>
	Services	Work-in-hand rises only marginally.
	Manufacturing	Fastest reduction in backlogs in almost four years.
<b>Employment</b>	<b>Composite</b>	<b>Job creation remains solid.</b>
	Services	Softer increase in employment.
	Manufacturing	Staffing levels rise at same pace as in November.
<b>Input Prices</b>	<b>Composite</b>	<b>Cost inflation softens to eight-month low.</b>
	Services	Further sharp rise in input prices.
	Manufacturing	Weakest increase in input prices since August 2017.
<b>Output Prices</b>	<b>Composite</b>	<b>Slowest increase in charges since September 2017.</b>
	Services	Charge inflation at seven-month low.
	Manufacturing	Softer rise in selling prices.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at 34-month low of 51.4.

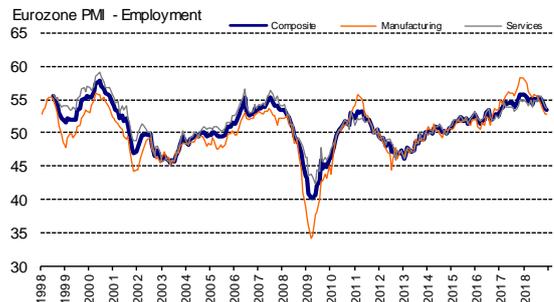
### Output



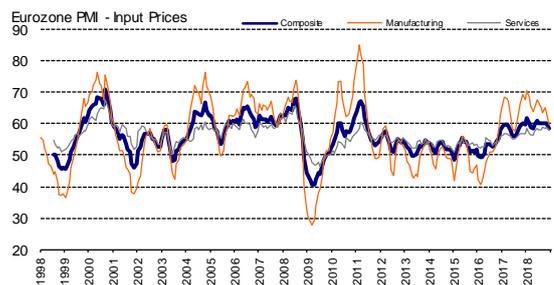
### New business



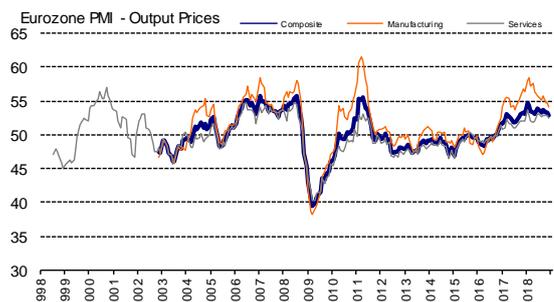
### Employment



### Input prices



### Output prices



Source: IHS Markit.

**For further information, please contact:****IHS Markit**

Chris Williamson, Chief Business Economist  
Telephone +44-20-7260-2329  
Mobile +44-779-555-5061  
Email [chris.williamson@ihsmarkit.com](mailto:chris.williamson@ihsmarkit.com)

Paul Smith, Director  
Telephone +44-1491-461-038  
Email [paul.smith@ihsmarkit.com](mailto:paul.smith@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44207 260 2234  
E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Note to Editors:**

Final December data are published on 2 January for manufacturing and 4 January 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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