

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) February 1<sup>st</sup> 2019**

## IHS Markit Eurozone Manufacturing PMI<sup>®</sup> – final data

### Eurozone manufacturing sector moves closer to stagnation

#### Key findings:

- Final Eurozone Manufacturing PMI at 50.5 in January (Flash: 50.5, December Final: 51.4)
- Output up marginally, but sharpest fall in new work recorded since April 2013
- Growth sustained via reduction in backlogs and fastest accumulation of stocks in survey history

Data collected January 11-24

#### IHS Markit Eurozone Manufacturing PMI

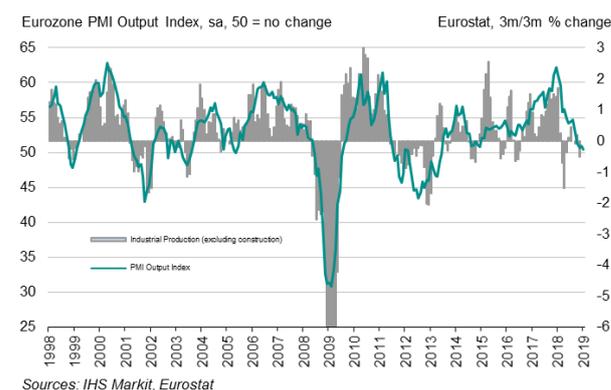


Manufacturing operating conditions in the eurozone improved only marginally and at the slowest rate for over four years at the start of 2019. After accounting for seasonal factors, the IHS Markit Eurozone Manufacturing PMI registered 50.5, down from 51.4 in December, unchanged from the flash estimate. The headline index has now fallen for six consecutive months and stood in January at its lowest level since November 2014.

Ongoing weakness was apparent in the intermediate goods sector at the start of 2019, whilst producers of investment goods recorded a deterioration in operating conditions for the first time since July 2013. In contrast, the consumer goods category continued to enjoy solid growth in January.

#### Countries ranked by Manufacturing PMI: January

Netherlands	55.1	28-month low
Greece	53.7	3-month low
Austria	52.7	29-month low
Ireland	52.6	27-month low
Spain	52.4	2-month high
France	51.2 (flash: 51.2)	3-month high
Germany	49.7 (flash: 49.9)	50-month low
Italy	47.8	68-month low



In line with recent trends, it was the 'big-four' economies that recorded the lowest manufacturing PMI readings during January. Most notably, Germany entered contraction territory for the first time in over four years whilst the downturn in Italy gathered pace.

Despite recording relatively subdued readings, France and Spain bucked the trend across the region by recording firmer PMI numbers. All other nations recorded slower growth, with respective headline indices for the Netherlands, Austria and Ireland the weakest in around two-and-a-half years.

Volumes of new orders placed with eurozone manufacturers deteriorated for a fourth successive month during January. The rate of contraction was also the sharpest recorded by the survey since April 2013 as domestic and international demand

deteriorated further (new export orders\* declined at a pace unchanged on December's 68-month record).

Manufacturers subsequently turned to existing orders to maintain production levels. Latest data showed backlogs of work falling for a fifth successive month which helped to support production. However, output growth was marginal, and the weakest registered in the current 67-month run of expansion. Stocks of finished goods meanwhile rose in January for a fourth month in succession and to the greatest degree since the survey began over 20 years ago.

Despite facing a weaker trend in new work, manufacturers continued to take on additional workers during January. However, whilst solid, job creation was the softest recorded by the survey since September 2016. Moreover, robust jobs growth in Germany, Austria, Greece and Ireland contrasted sharply to a first reduction in Italian manufacturing employment for over four years.

On the price front, average input costs continued to increase during January, but at a noticeably slower rate with inflation dropping to its lowest level for nearly two-and-a-half years. Downward price pressure came from a reduction in the cost of oil-related goods plus signs of easing capacity constraints (delivery times lengthened to the weakest degree since July 2016).

Nonetheless, with some reports of higher prices for foodstuffs and raw materials in general, manufacturers continued to increase their own charges. The current sequence of inflation was extended during January to 28 months, though the latest net increase in output prices was the weakest in a year-and-a-half.

Finally, business confidence strengthened on December's six-year low, but remained well below the series trend. Worries with regards to international trade and political developments within Europe continued to be reported by panellists.

\* Includes intra-eurozone trade.

## Comment

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

*"The January PMI adds to the likelihood that the manufacturing sector is in recession and will act as a drag on the economy in the first quarter.*

*"Some temporary factors remain evident, including an auto sector that is struggling to regain momentum after new emissions regulation and some signs of 'yellow vest' disturbances dampening demand in France. However, there appears to be a more deep-rooted malaise setting in, which reflects widespread concerns about the destabilising effect of political uncertainty and the damage to exports from rising trade protectionism.*

*"Worryingly, weaker than anticipated sales mean warehouses are filling up with unsold stock at a rate not previously recorded over the two decades of prior survey history, suggesting firms will need to cut operating capacity in coming months unless demand revives, boding ill for future production growth.*

*"While there is some evidence that firms are hoarding labour in the hope of sales picking up again, and business optimism did perk up from December's six-year low, jobs growth is starting to deteriorate as increasing numbers of firms seek to cut costs and raise productivity. Any such downturn in the labour market will in turn potentially drive consumer sentiment lower, and adds further to the risk that economic growth will continue to slow in coming months."*

-Ends-

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**Note to Editors:**

The Eurozone Manufacturing *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 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 2019 flash was based on 94% 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](mailto:economics@ihsmarkit.com).

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