



IHS Markit Eurozone Composite PMI®

Service sector leads further contraction of eurozone economy

Key findings

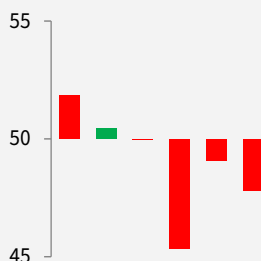
Eurozone Composite Output Index: **47.8**

Eurozone Services Business Activity Index: **45.4**

Eurozone Composite Output Index



Last six months



The eurozone’s private sector endured a challenging start to 2021, with output declining for a third successive month and at an accelerated rate. This was highlighted by the seasonally adjusted IHS Markit Eurozone PMI® Composite Output Index which recorded 47.8 in January, down from 49.1 in the previous month.

Services was once again the main drag on the economy, with activity in this sector contracting for a fifth successive month and also at a sharper rate than in December. Manufacturing remained a bright spot, with production rising for a seventh successive month albeit at the lowest rate in this growth sequence.

Of the largest eurozone members, only Germany recorded a rise in private sector output during January, although growth here weakened to its lowest level for seven months. All other nations recorded a contraction in activity, although there were noticeable divergences.

Solid falls were seen in France and Italy, while inclement weather in Spain exacerbated the effects of local restrictions designed to deal with the pandemic and led to a noticeable drop in activity. In Ireland, the unwinding of Brexit-related December stockpiling by manufacturers and the twin impact of lockdowns and new UK trading arrangements on service providers led to a sharp contraction of activity at the start of the year.

Latest eurozone data indicated a solid fall

in levels of incoming new work for a fourth month running. Ongoing restrictions related to dealing with COVID-19 remained the primary factor weighing on sales across the bloc, especially in local markets as export business continued to improve, rising modestly for a second month in succession.

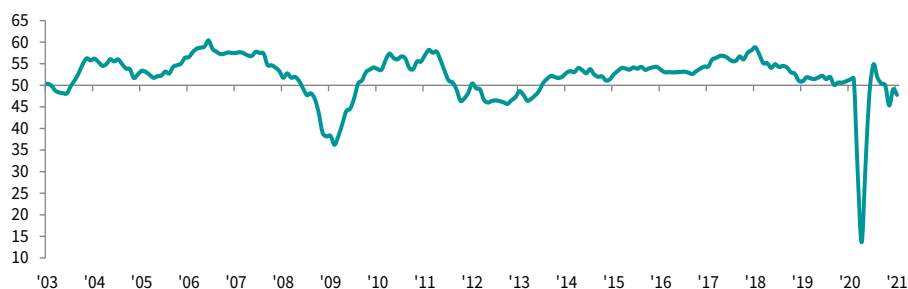
Meanwhile, a net fall in staffing levels was recorded during January, extending the current downturn to 11 months. However, the rate of contraction was marginal and the weakest in the current sequence of falling job numbers. Firms were again able to comfortably keep on top of workloads as evidenced by another drop, albeit marginal, in levels of work outstanding.

Meanwhile, inflationary pressures – especially in manufacturing – intensified during January. According to the survey data, input cost inflation accelerated to the sharpest in two years. Competitive pressures and the challenging business environment served however to restrict pricing power. Output charges declined modestly in January and for an eleventh successive month.

Finally, confidence about the future remained in positive territory during January, with the degree of optimism little-changed since the previous month. Sentiment was firmly linked to hopes of a successful rollout of a COVID-19 vaccine in the coming months.

Composite Output Index

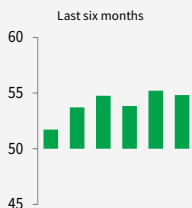
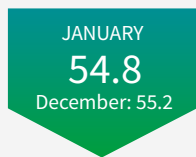
sa, >50 = growth since previous month



IHS Markit Eurozone Manufacturing PMI®

Manufacturing growth remains marked at start of 2021

Manufacturing PMI



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. 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.

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.

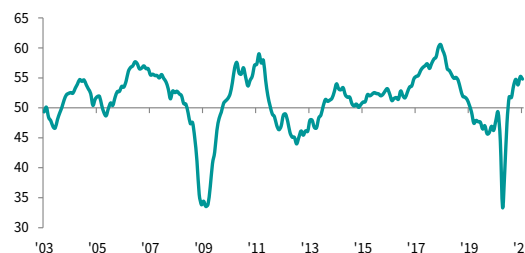
Faced with delays in the receipt of goods, companies utilised their existing inventory wherever possible, resulting in a firmer decline in stocks of purchases. There was also another round of destocking of finished goods, which fell for an eighth successive month albeit at the slowest rate since last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

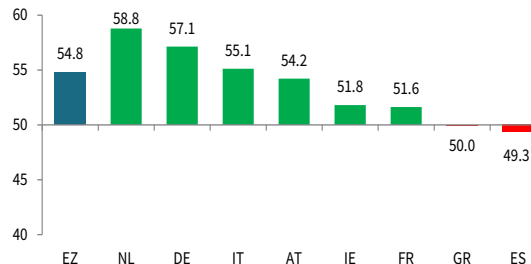
Manufacturing PMI

sa, >50 = improvement since previous month



PMI by nation, January '21

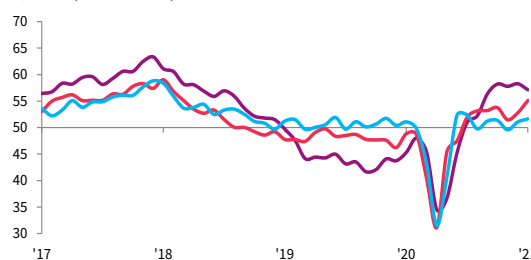
sa, >50 = improvement since previous month



PMI by nation

Germany / France / Italy

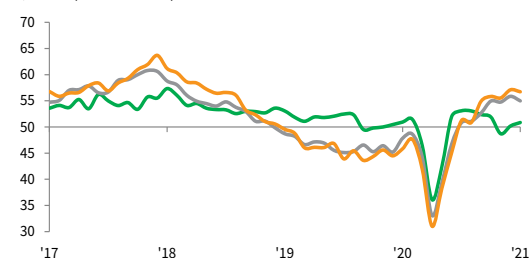
sa, >50 = improvement since previous month



PMI by goods sector

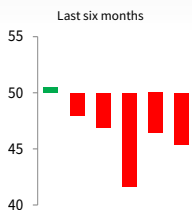
Consumer / Intermediate / Investment

sa, >50 = improvement since previous month



* Includes intra-eurozone trade.

Services Business Activity Index



Services fell further as new business volumes drop

The IHS Markit Eurozone PMI® Services Business Activity Index fell further below the 50.0 no-change mark in January, slipping to 45.4 from December's 46.4. Latest data marked the fifth successive month in which the index has posted a reading below the 50.0 no-change mark.

All five nations covered by the index registered falls in activity since the previous month, led by Ireland, which recorded its sharpest drop since last May. France and Germany recorded the weakest drops in activity.

Lower aggregate regional activity was again closely linked to a similar-sized drop in services new business volumes, which declined for a sixth successive month. Another drop in new export sales was also recorded, with the rate of contraction again sharp despite easing to the lowest for nearly a year.

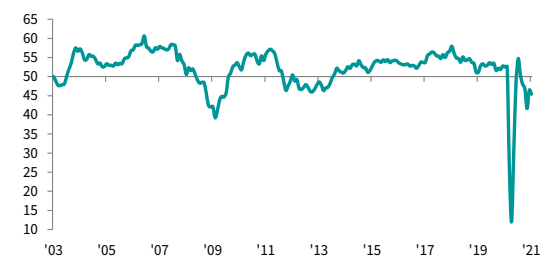
Staffing levels also continued to fall in January, although the rate of decline was marginal and the weakest in the current 11-month sequence of contraction. Growth in employment was seen in both Germany and France, which broadly offset declines in jobs elsewhere.

Meanwhile, input cost inflation edged up slightly, reaching the highest level since last August. With output charges falling at a faster rate, margins remained under pressure.

Looking ahead to the coming 12 months, confidence* about the future dipped since December but remained comfortably in positive territory. Optimism was highest in Italy, followed by Spain.

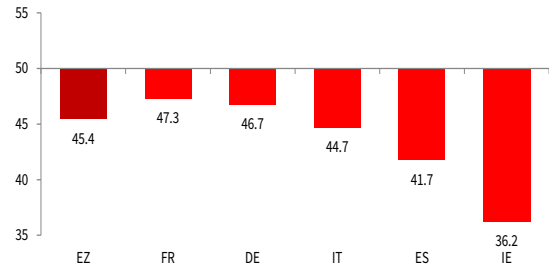
Services Business Activity Index

sa, >50 = growth since previous month



Business Activity Index by nation, January '21

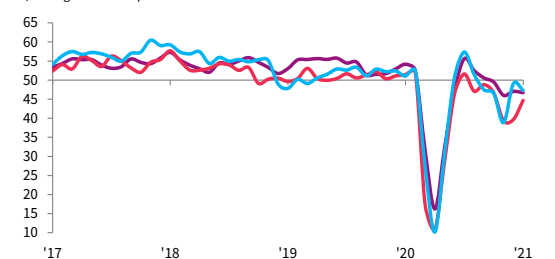
sa, >50 = growth since previous month



Business Activity Index by nation

Germany / France / Italy

sa, >50 = growth since previous month



* 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.

Composite index summary

Key data

Output Index

Last six months

New Business Index

Last six months

Employment Index

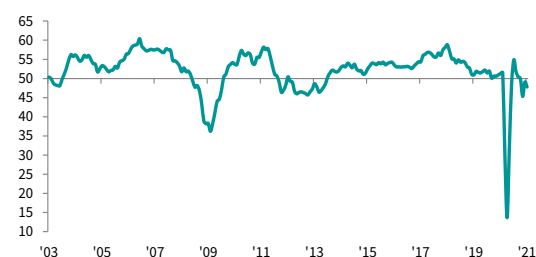
Last six months

Input Prices Index

Last six months

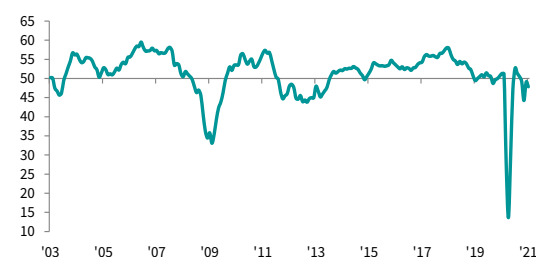
Output Index

sa, >50 = growth since previous month



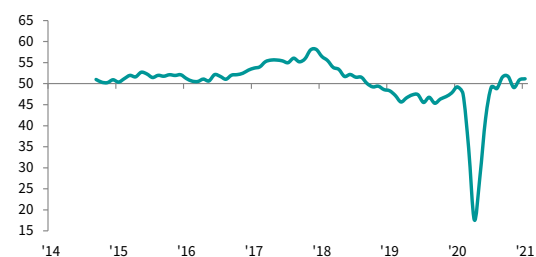
New Business Index

sa, >50 = growth since previous month



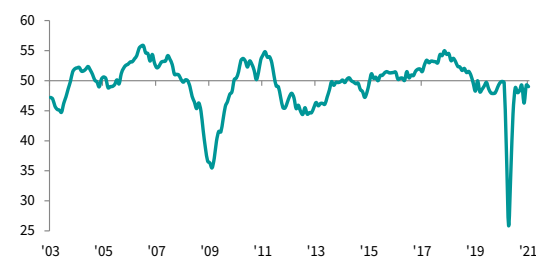
New Export Business Index

sa, >50 = growth since previous month



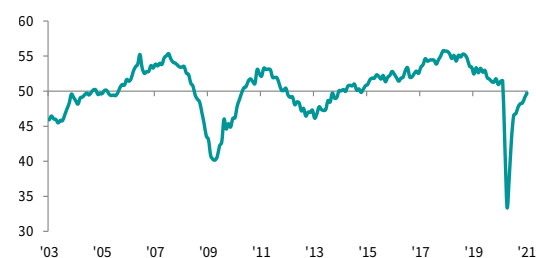
Outstanding Business Index

sa, >50 = growth since previous month



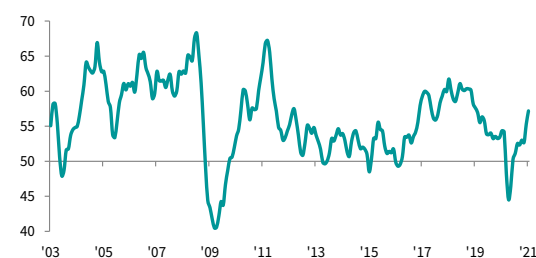
Employment Index

sa, >50 = growth since previous month



Input Prices Index

sa, >50 = inflation since previous month



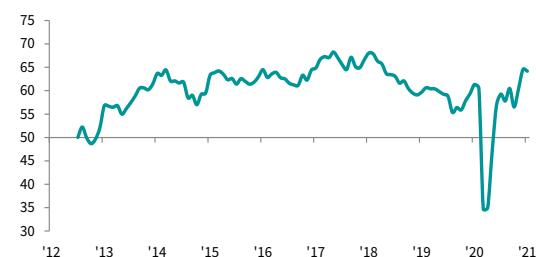
Prices Charged Index

sa, >50 = inflation since previous month



Future Output Index

>50 = growth expected over next 12 months

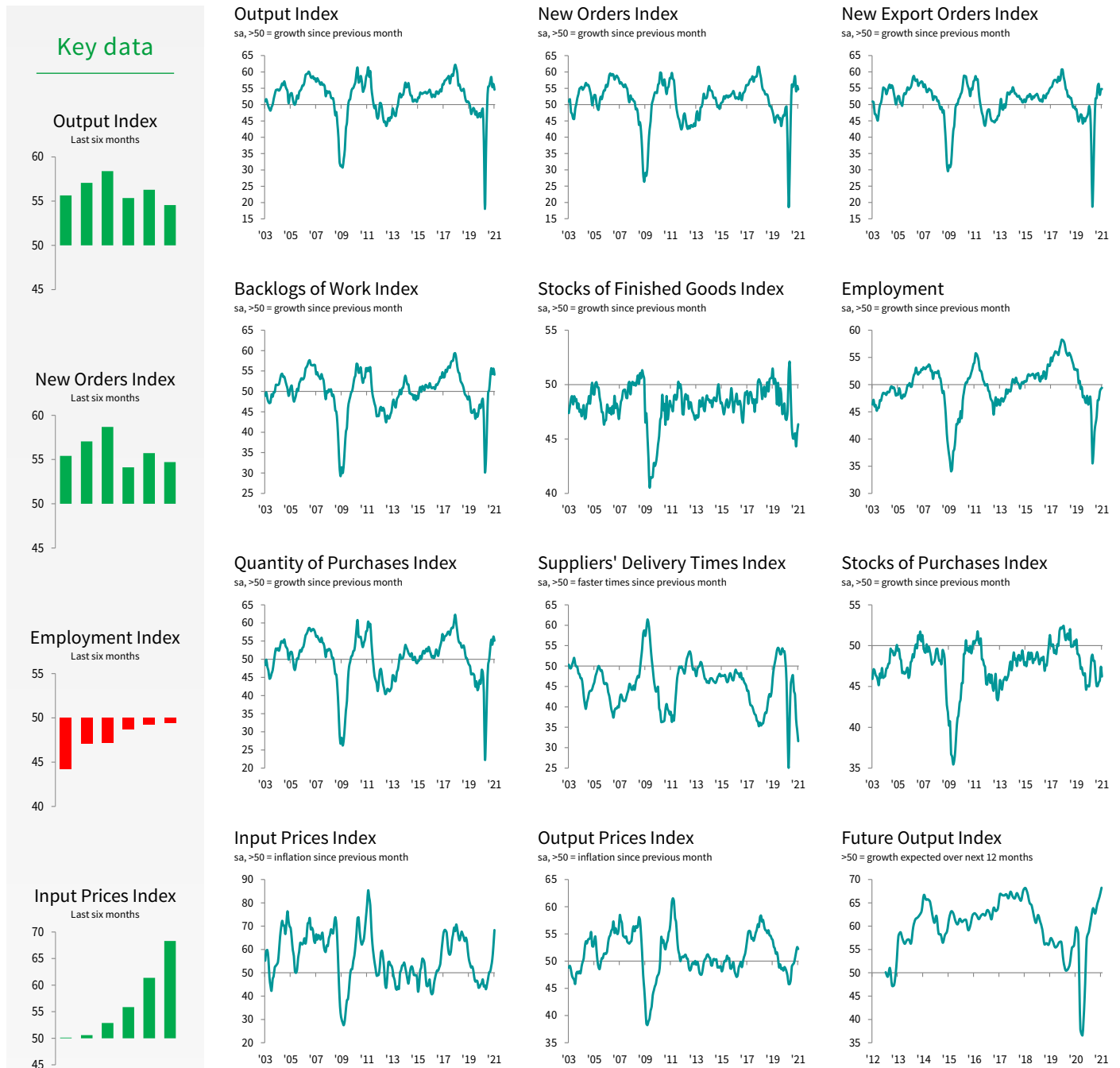


Index Summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Output	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Output*
08 '20	51.9	51.3	48.8	48.0	46.8	52.5	48.5	57.8
09 '20	50.4	50.5	51.6	48.4	47.7	52.3	47.8	60.5
10 '20	50.0	49.2	51.7	49.2	48.2	53.0	49.2	56.5
11 '20	45.3	44.3	49.1	46.3	48.3	52.7	48.8	60.4
12 '20	49.1	49.0	50.9	49.2	49.1	55.3	49.5	64.5
01 '21	47.8	47.9	51.1	49.0	49.7	57.2	48.6	64.2

Manufacturing index summary



Index Summary

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Backlogs of Work	Stocks of Finished Goods	Employment	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Output Prices	Future Output*
08 '20	51.7	55.6	55.4	51.9	50.4	45.1	44.2	49.9	47.7	45.1	50.1	49.4	61.5
09 '20	53.7	57.1	57.0	55.5	53.4	45.0	47.1	53.0	43.9	45.1	50.6	49.6	63.8
10 '20	54.8	58.4	58.7	56.3	55.7	45.5	47.2	55.4	42.9	45.5	52.9	50.5	62.7
11 '20	53.8	55.3	54.1	53.0	54.3	44.3	48.7	54.0	37.0	45.8	55.9	51.6	64.8
12 '20	55.2	56.3	55.7	54.6	55.6	45.6	49.2	56.2	34.4	47.4	61.4	52.6	66.2
01 '21	54.8	54.6	54.7	54.7	54.1	46.4	49.4	55.1	31.6	46.2	68.3	52.2	68.2

Services index summary

Key data

Business Activity Index
Last six months

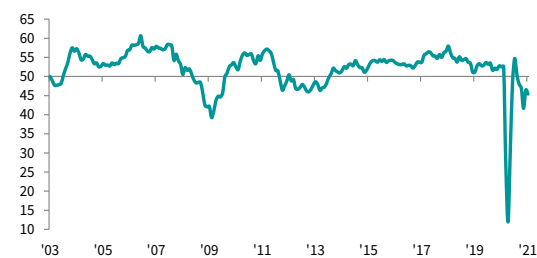
New Business Index
Last six months

Employment Index
Last six months

Input Prices Index
Last six months

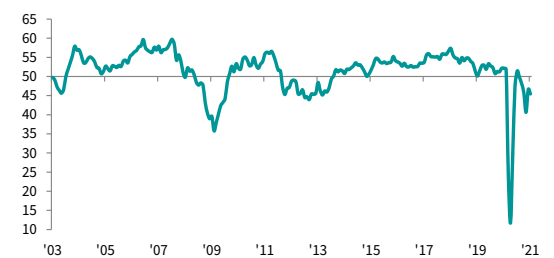
Business Activity Index

sa, >50 = growth since previous month



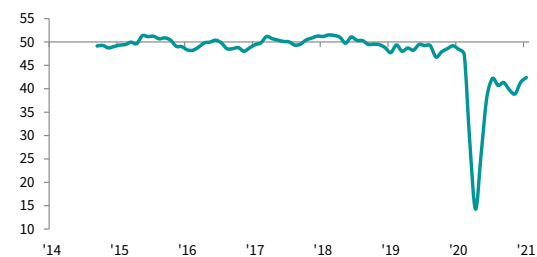
New Business Index

sa, >50 = growth since previous month



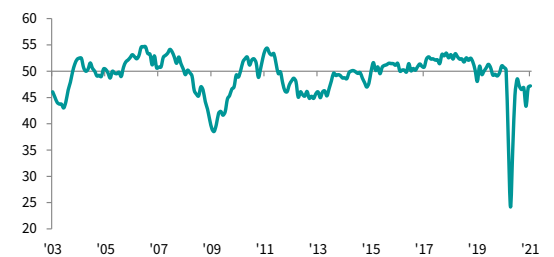
New Export Business Index

sa, >50 = growth since previous month



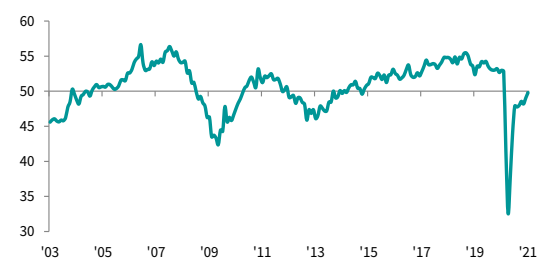
Outstanding Business Index

sa, >50 = growth since previous month



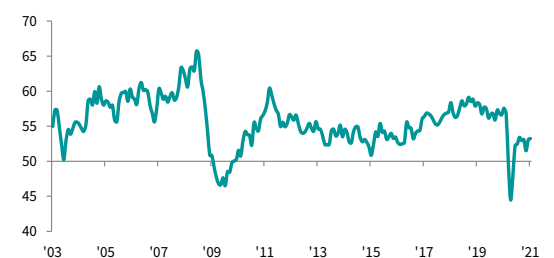
Employment Index

sa, >50 = growth since previous month



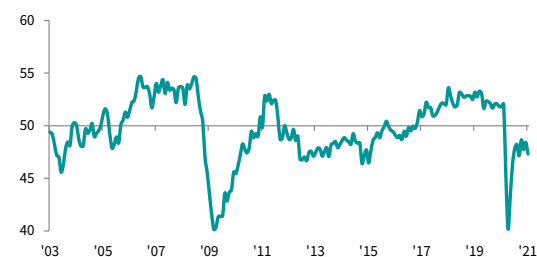
Input Prices Index

sa, >50 = inflation since previous month



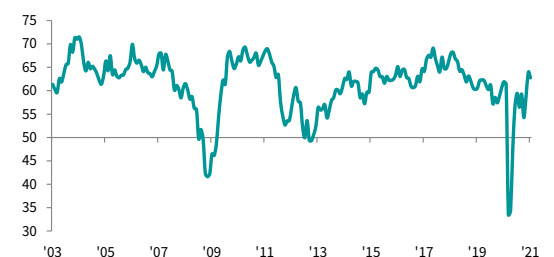
Prices Charged Index

sa, >50 = inflation since previous month



Future Activity Index

>50 = growth expected over next 12 months



Index Summary

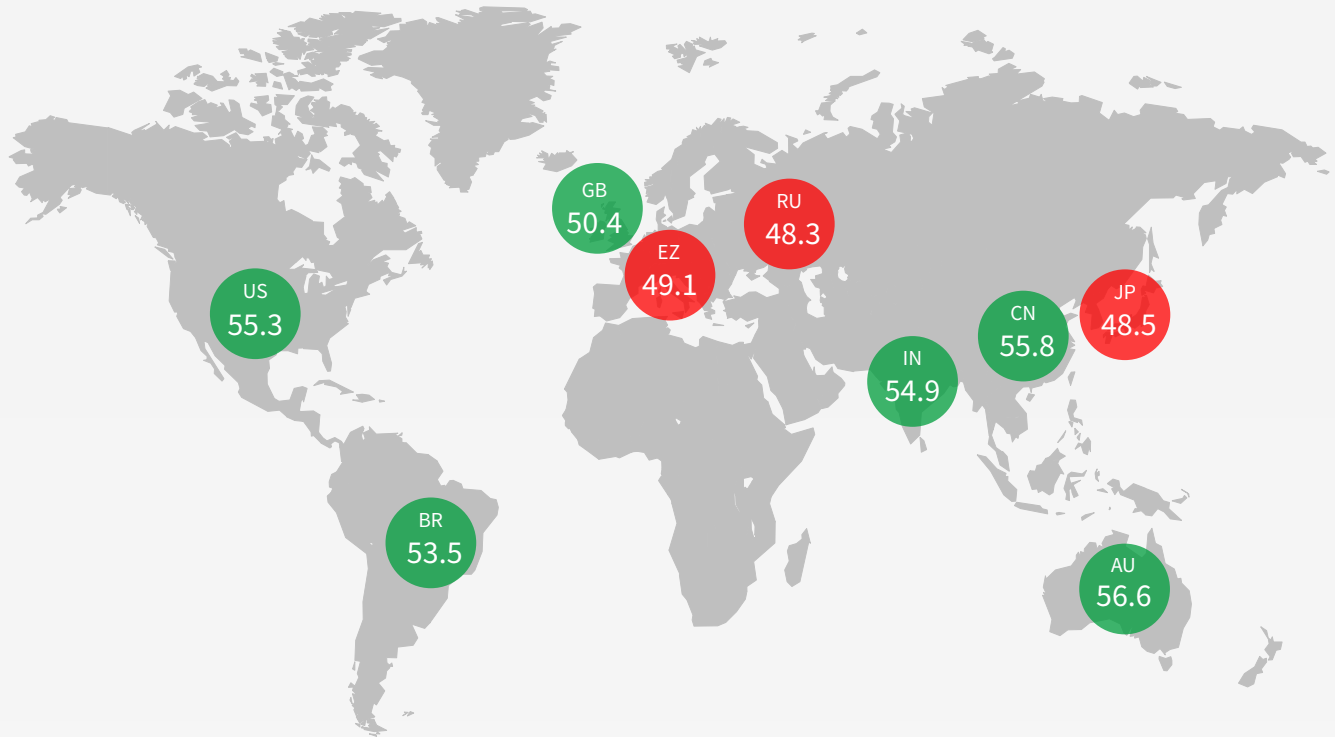
sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Activity*
08 '20	50.5	49.8	40.7	47.2	47.8	53.4	48.2	56.5
09 '20	48.0	48.1	41.3	46.5	48.0	53.0	47.1	59.2
10 '20	46.9	45.7	39.8	46.9	48.5	53.1	48.7	54.2
11 '20	41.7	40.6	38.9	43.3	48.2	51.5	47.7	58.8
12 '20	46.4	46.6	41.4	46.9	49.0	53.1	48.4	63.9
01 '21	45.4	45.4	42.4	47.2	49.8	53.2	47.3	62.7

International PMI

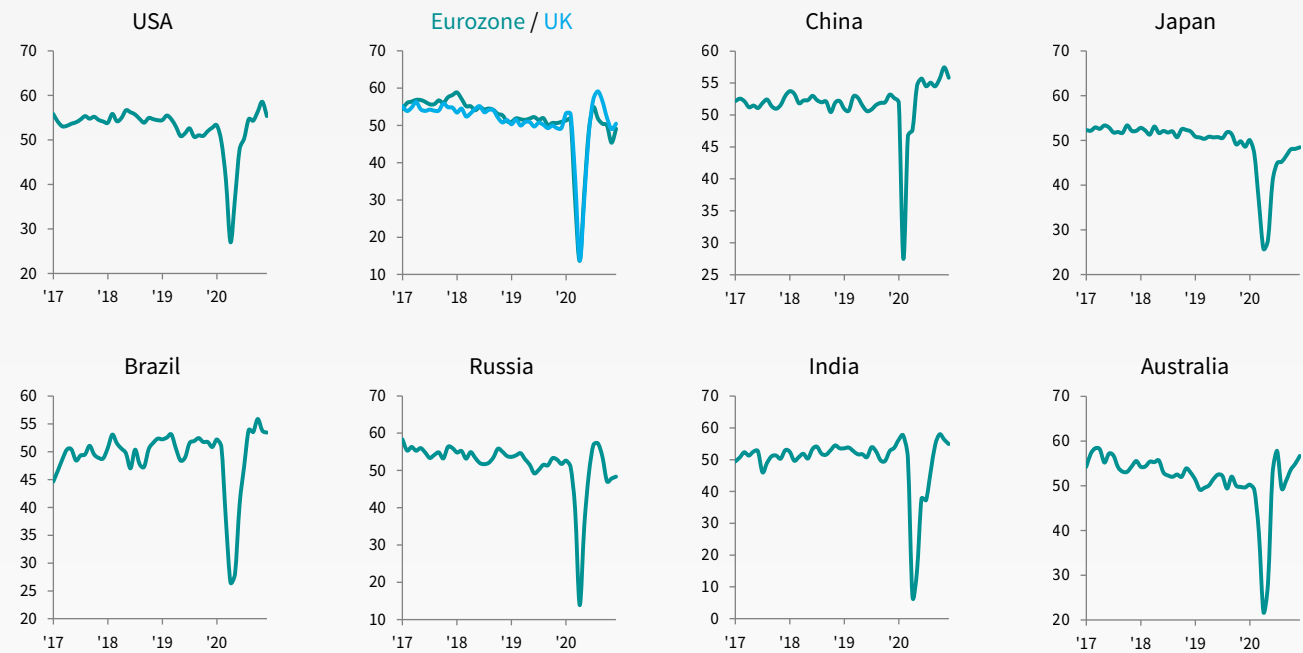
Composite Output Index, Dec '20

sa, >50 = growth since previous month



Composite Output Index

sa, >50 = growth since previous month



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Methodology

The IHS Markit Eurozone Composite PMI® is compiled by IHS Markit from responses to questionnaires sent to survey panels of manufacturers in Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece, and of service providers in Germany, France, Italy, Spain and Ireland, totalling around 5,000 private sector companies. The panels are each stratified by detailed sector and company workforce size, based on contributions to each country's GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each manufacturing and services survey variable, at the country level. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Eurozone level indices for manufacturing and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Composite eurozone level indices are calculated by weighting comparable manufacturing and services indices using eurozone manufacturing and services annual value added*.

The headline composite figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index

and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

January data were collected 12-26 January 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

*Source: Eurostat.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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About PMI

Purchasing Managers' Index® (PMI®) 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.

ihsmarkit.com/products/pmi.html

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