

IHS Markit Eurozone Composite PMI®

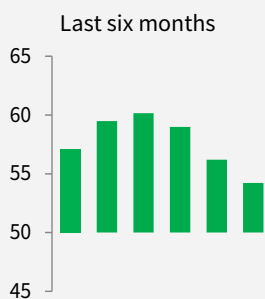
Eurozone growth slows to six-month low as supply issues restrain business activity

Key findings

Eurozone Composite Output Index: **54.2**

Eurozone Services Business Activity Index: **54.6**

Eurozone Composite Output Index



The slowdown in euro area growth continued at the start of the fourth quarter as expansions in the manufacturing and service sectors cooled. Growth at goods producers slowed to a particularly notable degree, easing to the weakest since the recovery in manufacturing began last July. Meanwhile, activity growth hit a six-month low at service providers as strong post-lockdown rates of expansion petered out.

Supply-side constraints were a major headwind to businesses in October and also fuelled strong inflationary pressures, with both input costs and output prices rising at record rates.

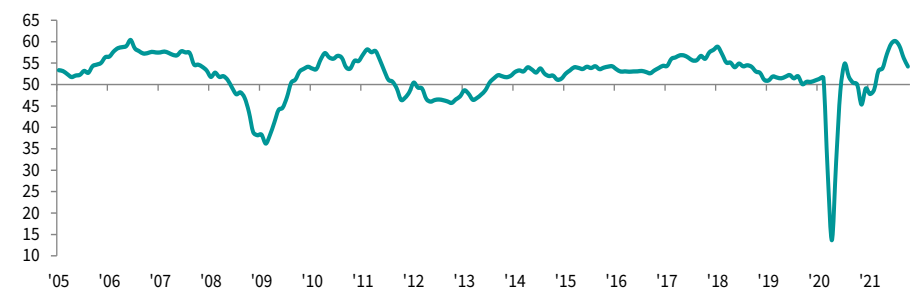
After accounting for seasonal factors, the IHS Markit Eurozone PMI® Composite Output Index fell to 54.2 in October, from 56.2 in September and its lowest reading for six months. Furthermore, the latest data represented a third successive slowdown in growth across the euro area and marked a further easing from July's 15-year high.

The service sector continued to be the primary driver of economic growth at the start of the fourth quarter, despite the expansion weakening. Meanwhile, material shortages and supply bottlenecks squeezed production at manufacturers, particularly in the autos sector.

Weaker rates of output growth were, with the exception of Ireland, broad-based across the euro area. Germany recorded the softest increase in activity during October and registered marked slowdowns in both monitored sectors. Ireland's economy produced a robust performance in October, with growth remaining among the fastest on record.

Composite Output Index

sa, >50 = growth since previous month



The slowing trend in business activity was also mirrored in that of new orders during October. Demand for eurozone goods and services rose to the softest extent in six months as order book growth weakened in a broad-based fashion. That said, new export business rose solidly and at a rate which was unchanged since September. According to reports, looser travel restrictions supported faster growth in demand for services from international clients.

Nevertheless, backlogs of work continued to rise at an elevated pace in October, particularly in the manufacturing sector, as component shortages and substantial lead times on input deliveries weighed on production schedules. Outstanding work at services firms rose at a slower pace as reports of staff shortages faded.

Indeed, overall jobs growth strengthened across the eurozone during the latest survey period and was among the fastest since data collection began in 1998.

In further positive news, business confidence held stable in October and at a level that was well-above the historical average. Trends did diverge by sector, as waning optimism at goods producers was offset by improved sentiment in the services sector.

Finally, as a result of the intense supply-side issues at present, but also as a consequence of rising costs for energy, fuel and labour, input price inflation hit a fresh series record in October. To combat greater cost burdens, firms also increased their selling charges to the fastest extent on record.

IHS Markit Eurozone Manufacturing PMI®

PMI drops to eight-month low as supply issues disrupt manufacturers

Manufacturing PMI

OCTOBER
58.3
 September: 58.6

Last six months

The eurozone manufacturing sector lost further momentum in October, latest PMI® data showed, as supply-side issues interrupted production schedules and dented order books, causing growth of both metrics to slow.

Firms' struggles to obtain manufacturing inputs was also clear in survey data, with supplier delivery times lengthening to one of the most severe extents on record. Subsequently, input cost and output price inflation rates surged to new survey peaks.

The final reading of the IHS Markit Eurozone Manufacturing PMI dipped to 58.3 in October, from the 'flash' estimate of 58.5 and down from 58.6 in September. Overall, this signalled the slowest improvement in manufacturing sector conditions since February.

PMI movements varied by euro area constituents during October. The fastest-growing manufacturing sectors, the Netherlands, Ireland and Italy respectively, all recorded stronger expansions, as did Greece. Meanwhile, the remaining monitored countries registered slowdowns, especially Germany and France, where the respective Manufacturing PMIs slumped to nine-month lows.

Supply-side issues were central to the softer expansion in the euro area manufacturing sector during October. Average lead times on input deliveries lengthened drastically and to the third-greatest extent in the survey history (since 1997), beaten only by those seen in May and June. Low shipping container availability, widespread shortages of components and raw materials and issues with transportation were all mentioned as sources of supply-chain pressures in October.

Difficulties in acquiring the inputs necessary for production was a frequently-cited reason by companies who lowered output in the latest survey period. Although production increased, the rate of expansion slumped to the slowest in the current 16-month growth sequence.

These issues had a similar impact on order books, according to firms. New business intakes continued to rise during October, but the rate of expansion was the weakest since January. Anecdotal evidence suggested that demand conditions had eased because of supply-side problems, as appetite for finished and semi-finished goods waned due to reduced availability. Similarly, new export orders* expanded at the weakest pace since the beginning of the year.

As a result of supply restraints, inventory trends moved in opposing directions during October. While stocks of finished goods fell as firms filled orders from their warehouses, pre-production inventories increased at the fastest rate on record as firms upped their efforts at building precautionary stocks due to on-going shortages and lengthy lead times. Purchasing activity rose sharply in October, albeit at a rate unchanged on September's eight-month low.

Subsequently, inflationary pressures intensified across the euro area, with input costs and output prices both rising at new survey-record rates in October.

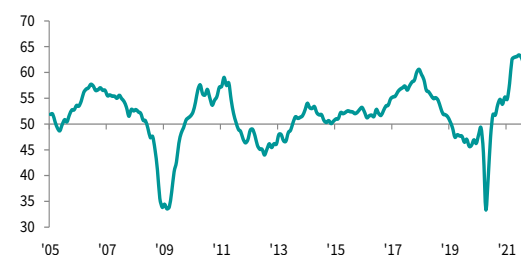
Elsewhere, backlogs of work continued to rise during October, once again reflecting the ill effects of supply-chain disruption as firms lacked the necessary components to complete production. Meanwhile, efforts to boost operating capacities continued as employment rose for the ninth month running.

Finally, although business confidence remained strong and above its historical average in October, the level of positive sentiment slumped to a one-year low.

* Includes intra-eurozone trade.

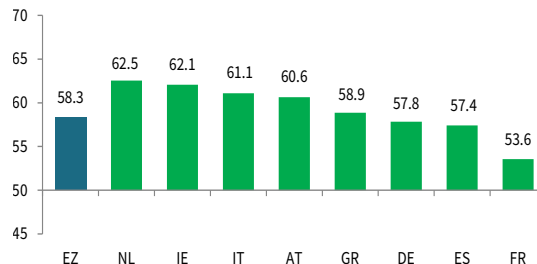
Manufacturing PMI

sa, >50 = improvement since previous month



PMI by nation, October '21

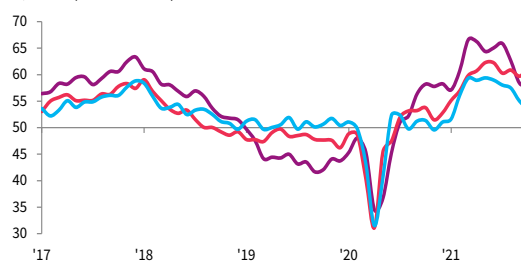
sa, >50 = improvement since previous month



PMI by nation

Germany / France / Italy

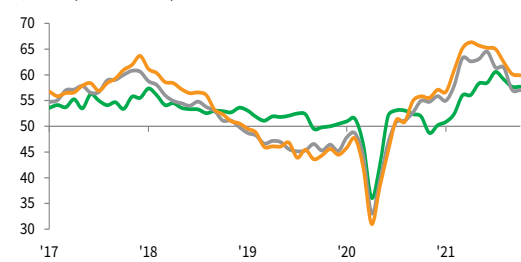
sa, >50 = improvement since previous month



PMI by goods sector

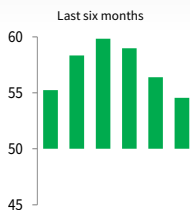
Consumer / Intermediate / Investment

sa, >50 = improvement since previous month



IHS Markit Eurozone Services PMI®

Services Business Activity Index



In October, services growth eased and inflationary pressures continued to build

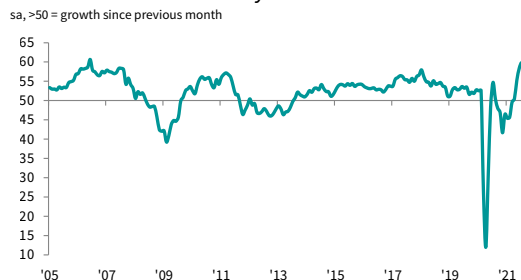
The IHS Markit Eurozone PMI® Services Business Activity Index fell to a six-month low of 54.6 in October, from 56.4 in September. The headline services figure has now shed over five points since July’s 15-year zenith as business activity across the euro area gets closer to pre-pandemic levels.

New business growth slowed fractionally in October, although increased tourism and greater flexibility towards international travel reportedly boosted overseas demand.

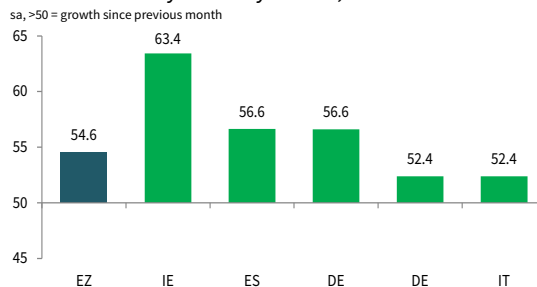
The strong growth trend in service sector employment continued into October, with staffing levels rising at the quickest pace since October 2007. As a result, the rate of backlog accumulation was its slowest since April.

Inflationary pressures continued to build as service providers registered the strongest increases in both costs and selling prices for just over 21 years.

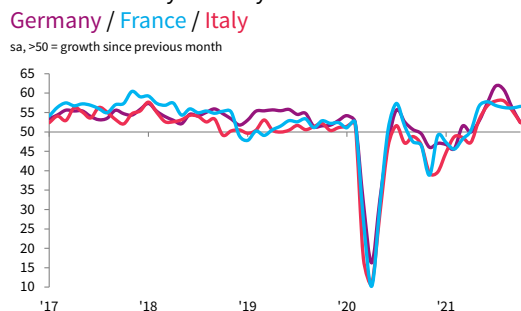
Services Business Activity Index



Business Activity Index by nation, October '21



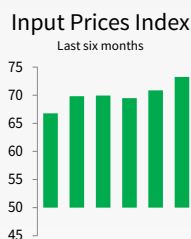
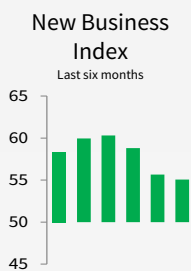
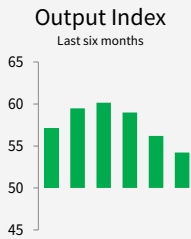
Business Activity Index by nation



* 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.

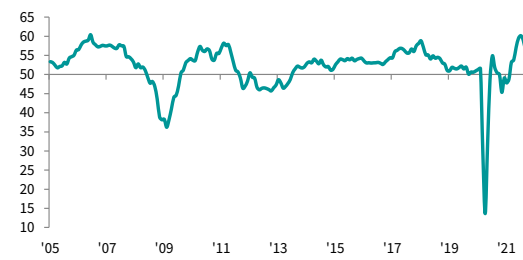
Composite index summary

Key data



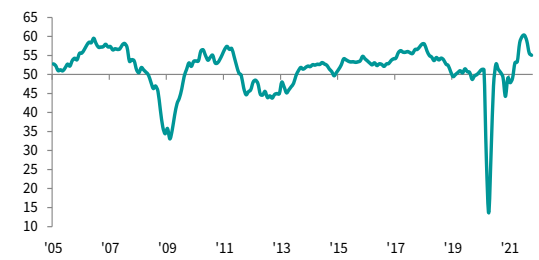
Output Index

sa, >50 = growth since previous month



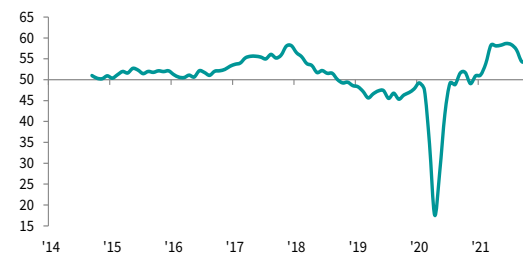
New Business Index

sa, >50 = growth since previous month



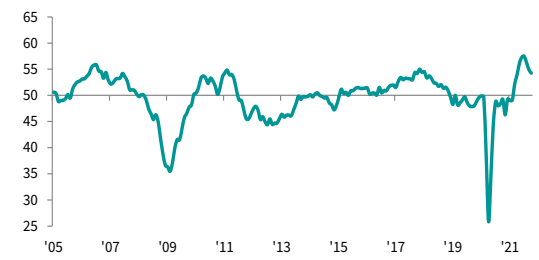
New Export Business Index

sa, >50 = growth since previous month



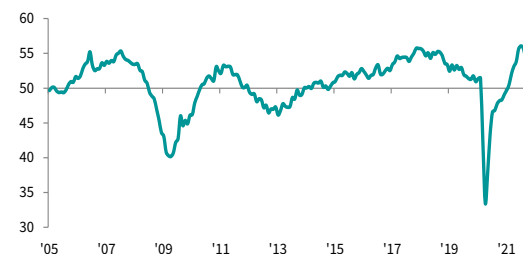
Outstanding Business Index

sa, >50 = growth since previous month



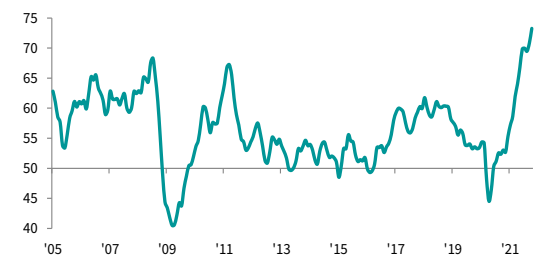
Employment Index

sa, >50 = growth since previous month



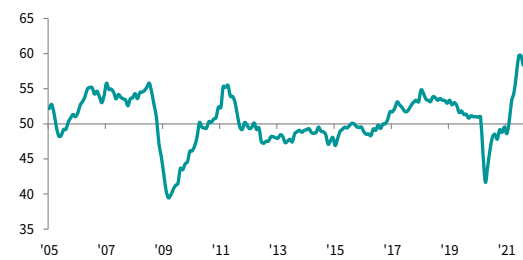
Input Prices Index

sa, >50 = inflation since previous month



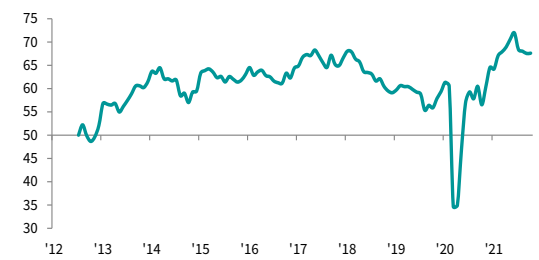
Prices Charged Index

sa, >50 = inflation since previous month



Future Output Index

>50 = growth expected over next 12 months

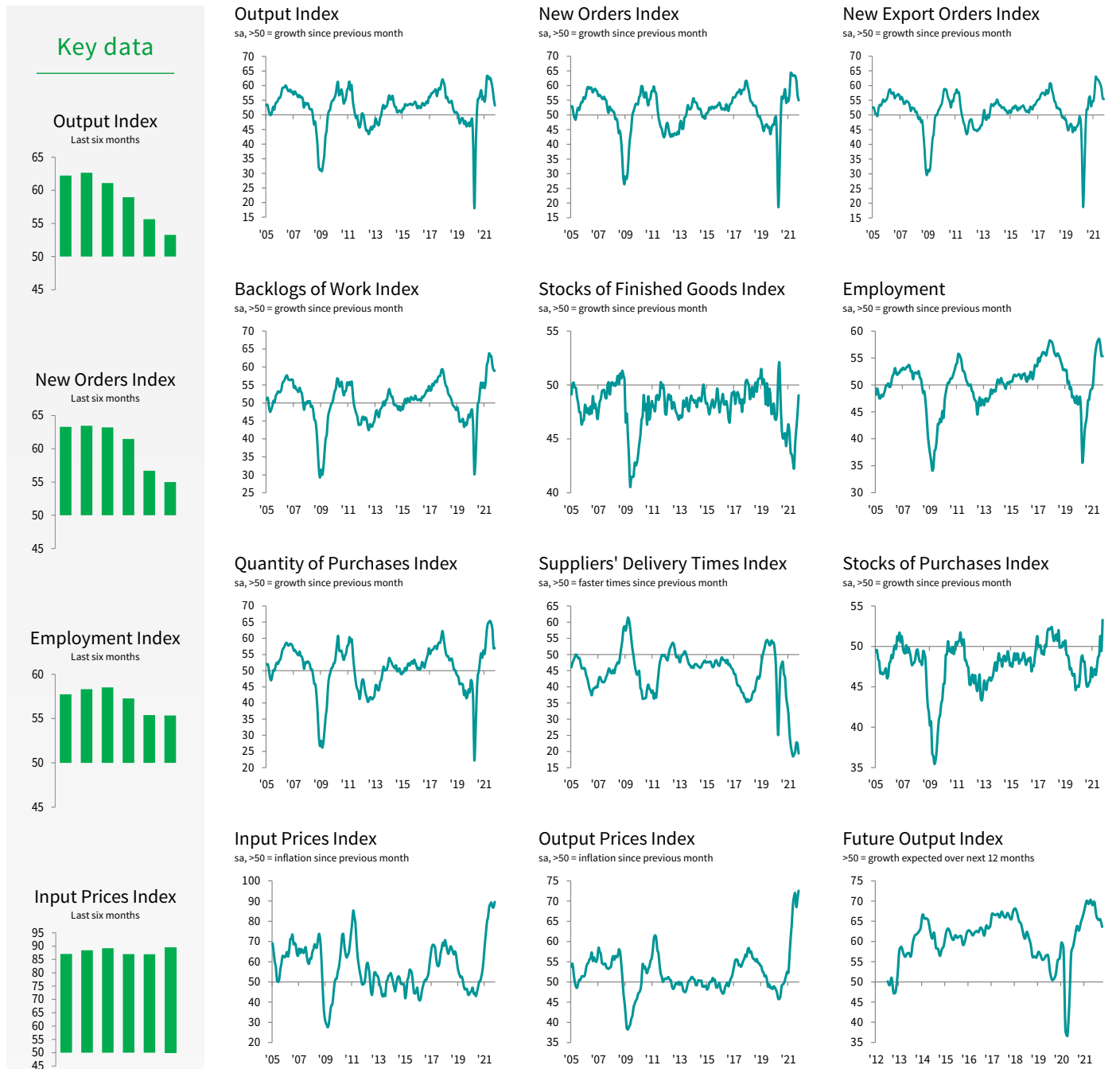


Index Summary

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*
05 '21	57.1	58.4	58.3	56.2	53.8	66.8	56.9	70.6
06 '21	59.5	60.0	58.7	57.3	55.6	69.8	59.7	71.9
07 '21	60.2	60.3	58.4	57.5	56.1	69.9	59.7	68.4
08 '21	59.0	58.8	57.1	56.2	55.7	69.5	58.3	68.0
09 '21	56.2	55.7	54.4	54.9	54.4	70.9	59.1	67.5
10 '21	54.2	55.1	54.4	54.3	55.5	73.2	60.2	67.6

Manufacturing index summary



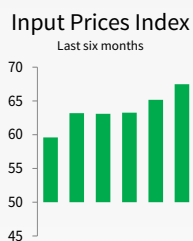
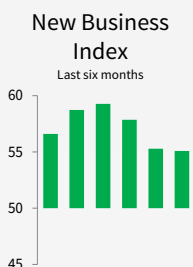
Index Summary

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*
05 '21	63.1	62.2	63.3	62.0	63.8	42.9	57.7	65.0	18.5	47.6	87.1	69.1	69.0
06 '21	63.4	62.6	63.5	61.4	63.2	42.3	58.3	65.4	19.1	48.7	88.5	71.1	69.8
07 '21	62.8	61.1	63.2	60.4	63.0	44.6	58.5	64.5	20.0	49.0	89.2	71.9	66.4
08 '21	61.4	59.0	61.5	59.1	60.4	46.0	57.3	62.8	22.8	51.3	87.0	68.6	65.4
09 '21	58.6	55.6	56.7	55.8	59.2	47.3	55.4	57.0	22.4	49.5	86.9	70.4	65.5
10 '21	58.3	53.3	55.0	55.4	58.9	49.0	55.4	57.0	19.4	53.3	89.5	72.6	63.6

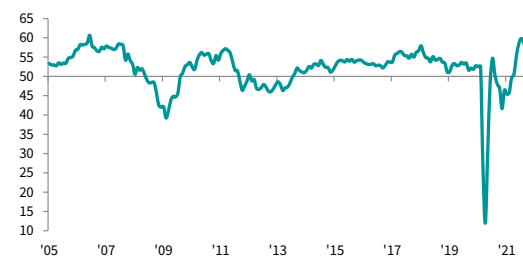
Services index summary

Key data



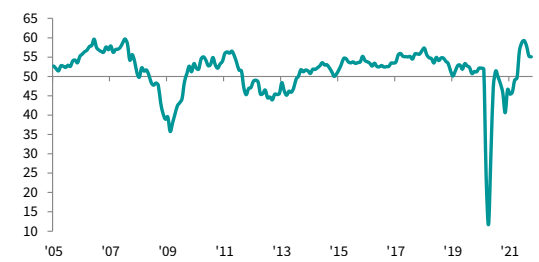
Business Activity Index

sa, >50 = growth since previous month



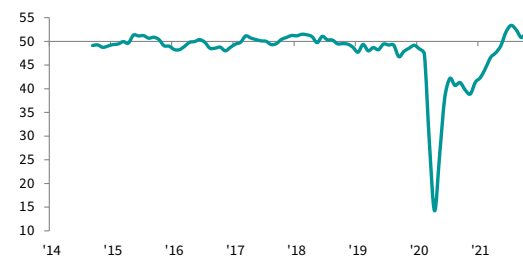
New Business Index

sa, >50 = growth since previous month



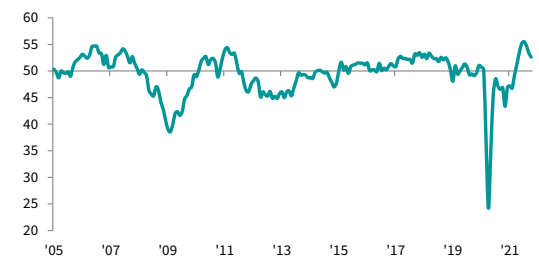
New Export Business Index

sa, >50 = growth since previous month



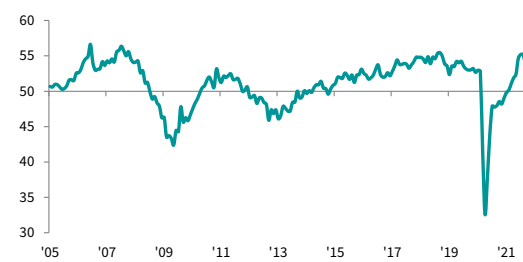
Outstanding Business Index

sa, >50 = growth since previous month



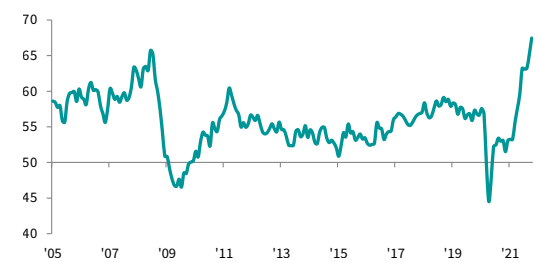
Employment Index

sa, >50 = growth since previous month



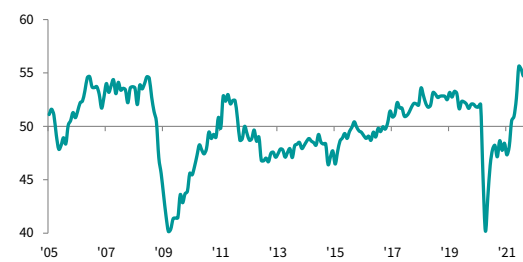
Input Prices Index

sa, >50 = inflation since previous month



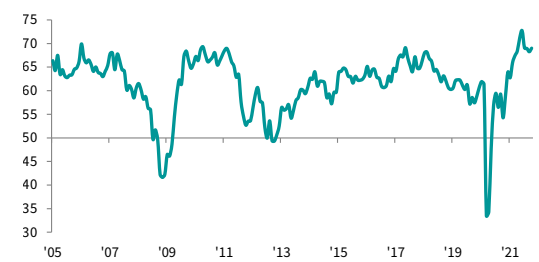
Prices Charged Index

sa, >50 = inflation since previous month



Future Activity Index

>50 = growth expected over next 12 months



Index Summary

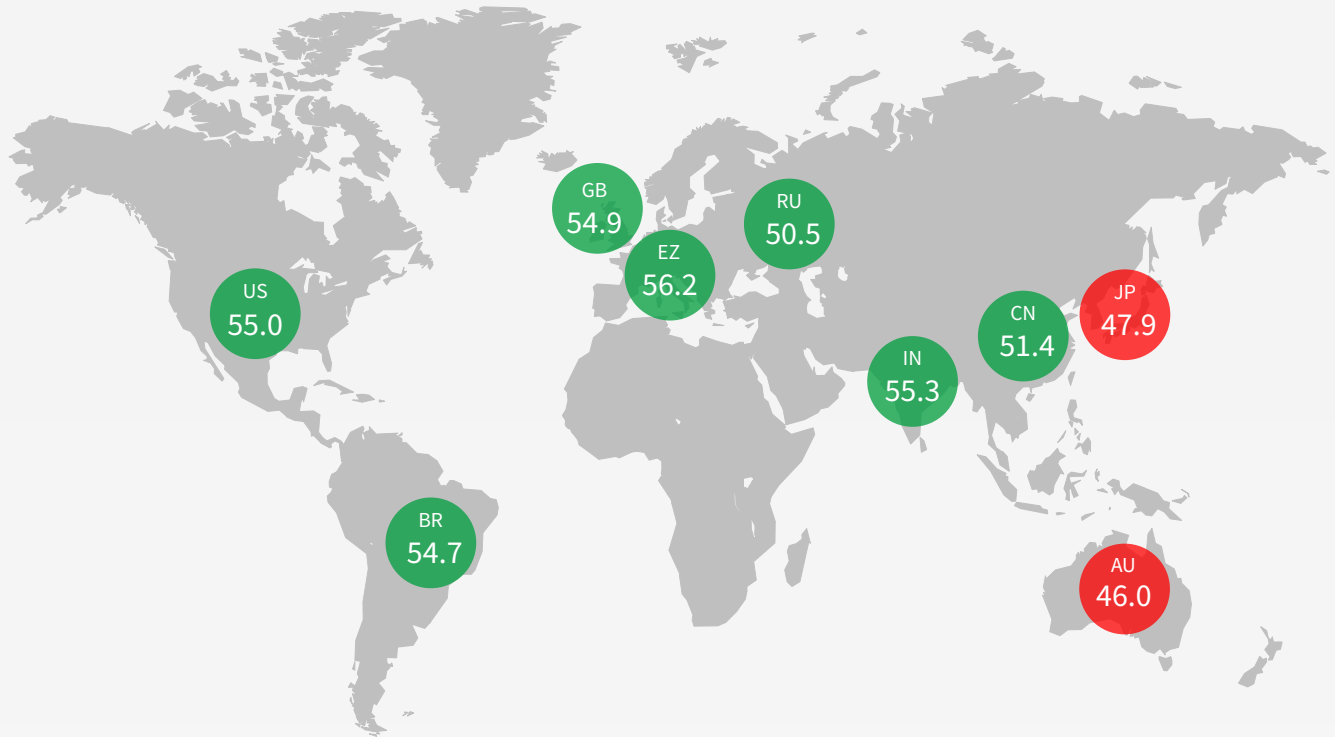
sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Outstanding Business	Employment	Input Prices	Prices Charged	Future Activity*
05 '21	55.2	56.6	49.1	53.5	52.4	59.6	52.6	71.2
06 '21	58.3	58.7	52.0	55.2	54.7	63.2	55.6	72.7
07 '21	59.8	59.3	53.4	55.5	55.2	63.1	55.3	69.1
08 '21	59.0	57.9	52.4	54.7	55.2	63.3	54.7	68.9
09 '21	56.4	55.3	50.8	53.4	54.1	65.2	55.1	68.3
10 '21	54.6	55.1	52.0	52.6	55.6	67.5	55.8	69.0

International PMI

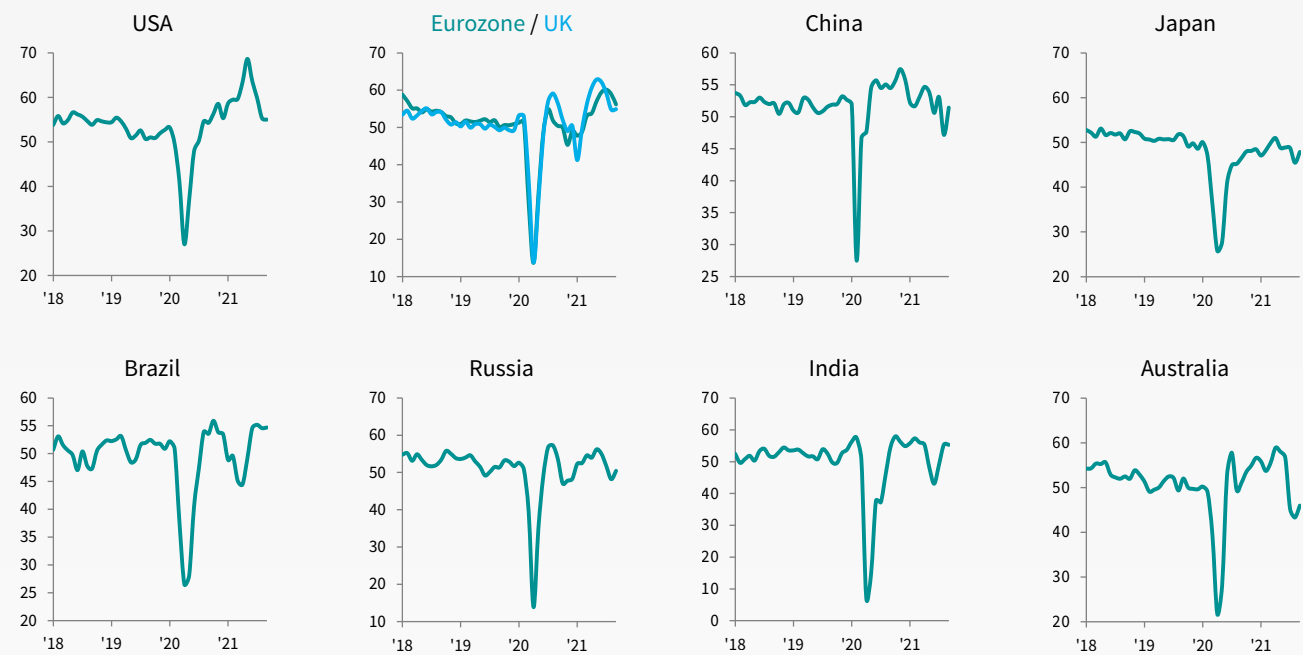
Composite Output Index, Sep '21

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.

October data were collected 11-26 October 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.

<https://ihsmarkit.com/products/pmi.html>

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