

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Eurozone PMI[®]

Eurozone business activity stagnates in September as rebound falters

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 50.1 (51.9 in August). 3-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 47.6 (50.5 in August). 4-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 56.8 (55.6 in August). 31-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 53.7 (51.7 in August). 25-month high.

Data collected September 11-22

Business activity stalled across the eurozone in September, albeit with increasingly divergent trends by sector and country. Faster growth of manufacturing, led by Germany, was offset by a renewed downturn in the service sector, which was often linked to resurgent coronavirus disease 2019 (COVID-19) infection rates.

A net loss of jobs continued to be reported, though the rate of payroll reduction eased, notably in manufacturing, thanks in part to improved future expectations. Price pressures meanwhile moderated during the month.

The flash IHS Markit Eurozone Composite PMI[®] fell for a second successive month in September, dropping from 51.9 in August to 50.1, indicating only a very marginal increase in business activity. Having rebounded sharply in July and, to a lesser extent, August from COVID-19 lockdowns during the second quarter, the PMI has since indicated a near stalling of the economy at the end of the third quarter as rising infection rates and ongoing social distancing measures curbed demand, notably for consumer-facing services.

Manufacturing output growth accelerated in September to the fastest since February 2018, fueled by the largest rise in new orders seen over

IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

this period. But the service sector, having already almost stalled back in August, recorded the largest contraction of output since May, albeit with the rate of decline running far weaker than seen during the height of the pandemic.

Germany continued to lead the recovery, though even here a strong surge in manufacturing output, which grew at the fastest rate since January 2018, was countered by a decline in services activity for the first time since June to cause the rate of expansion to slow for a second month running.

France meanwhile saw business activity deteriorate for the first time in four months as falling service sector output more than offset a modest rise in factory production.

Elsewhere, business activity fell for a second successive month after July's brief return to growth, with the pace of decline accelerating as an increased rate of contraction in services was accompanied by slower manufacturing output growth.

Employment was meanwhile cut for a seventh successive month. Although the rate of job losses moderated further from April's record peak, the pace remained higher than at any time since June

2013 prior to the pandemic. An easing in manufacturing job cutting to the lowest since February contrasted with a slight increase in the rate of job losses in services, reflecting the divergent business activity trends between the two sectors. Reduced staff cuts in Germany and France were partly countered by greater job losses in the rest of the region.

Backlogs of work fell at a slightly reduced rate, showing encouragingly robust growth in manufacturing but falling at an increased rate in services due to the latter's drop in inflows of new business. While the build-up of uncompleted work in manufacturing hints at growing capacity pressures in the factory sector, the service sector data point to the development of excess capacity.

Average prices charged for goods and services meanwhile fell at the steepest rate since June, down on average for a seventh month running as firms increasingly reported the need to offer discounts to stimulate sales.

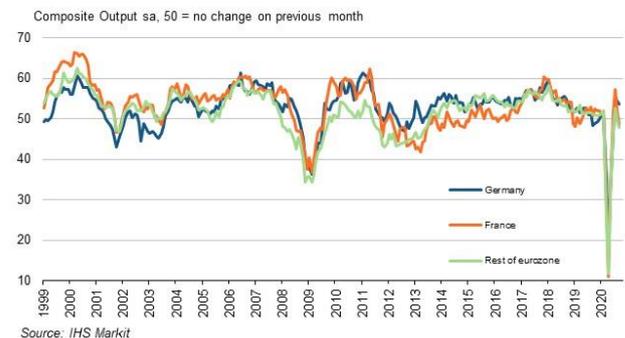
The drop in charges occurred despite costs rising again. Average input prices increased for a fourth consecutive month in September, albeit only modestly and at a slightly reduced rate compared to August. Falling manufacturing input prices, often linked to the appreciation of the euro, were offset by a further rise in services costs, in turn often blamed on higher virus protection costs.

The combination of falling selling prices and rising costs indicated the greatest squeeze on companies' margins since December 2018.

Looking ahead, business expectations about the coming 12 months hit the highest since February, improving in both manufacturing and services and across Germany, France and the rest of the euro area as a whole. Optimism stemmed mainly from the belief that disruptions from COVID-19 will ease over the course of the coming year.

The flash estimate is typically based on approximately 85% of the final number of replies received each month, covering all countries included in the final PMI readings. However, only national data for France and Germany are published.

Core v. Periphery PMI Output Indices



Core v. Periphery PMI Employment Indices



Comment

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

“The eurozone’s economic recovery stalled in September, as rising COVID-19 infections led to a renewed downturn of service sector activity across the region.

“A two-speed economy is evident, with factories reporting that production growth was buoyed by rising demand, notably from export markets and the reopening of retail in many countries, but the larger service sector has sunk back into decline as face-to-face consumer businesses in particular have been hit by intensifying virus concerns.

“Job losses also picked up in the service sector as more companies became worried about costs and overheads. Fortunately, factories saw slower staff shedding as pressure on capacity begins to emerge, suggesting the overall rate of job cutting has peaked.

“Encouragement comes from a further improvement in companies’ expectations for the year ahead, but this optimism often rests on infection rates falling,

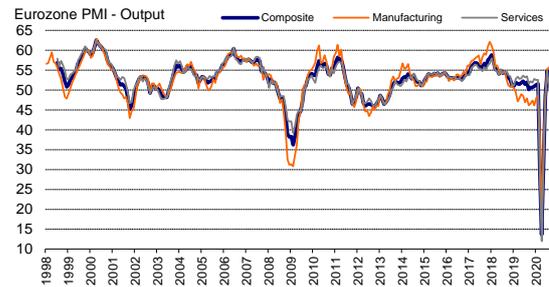
which remains far from guaranteed for the coming months. The main concern at present is therefore whether the weakness of the September data will intensify into the fourth quarter, and result in a slide back into recession after a frustratingly brief rebound in the third quarter.”

-Ends-

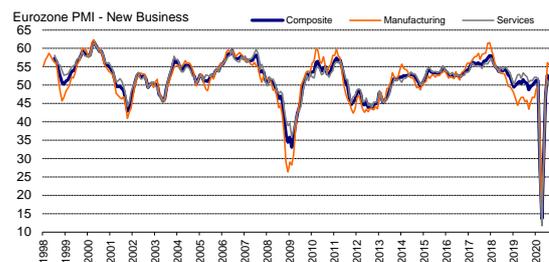
Summary of September data

Output	Composite	Activity broadly unchanged.
	Services	Business activity down for first time in three months.
	Manufacturing	Sharpest expansion in output since February 2018.
New Orders	Composite	Marginal rise in new work.
	Services	Solid fall in new business.
	Manufacturing	New orders increase at marked pace.
Backlogs of Work	Composite	Outstanding business continues to fall.
	Services	Rate of backlog depletion accelerates.
	Manufacturing	Solid accumulation of work-in-hand.
Employment	Composite	Slowest reduction in employment for seven months.
	Services	Job cuts continue.
	Manufacturing	Pace of decline in staffing levels eases.
Input Prices	Composite	Modest rise in input costs.
	Services	Softer increase in input prices.
	Manufacturing	Input costs remain broadly stable.
Output Prices	Composite	Output prices decrease at faster pace.
	Services	Charges lowered to greatest extent in three months.
	Manufacturing	Slight fall in selling prices.
PMI⁽³⁾	Manufacturing	PMI at 25-month high of 53.7.

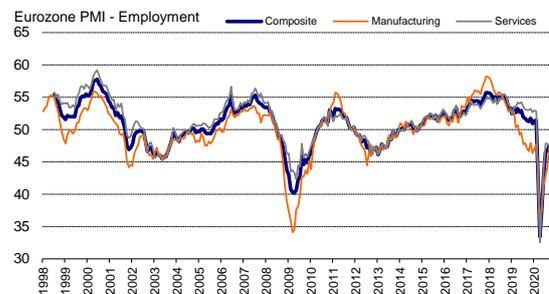
Output



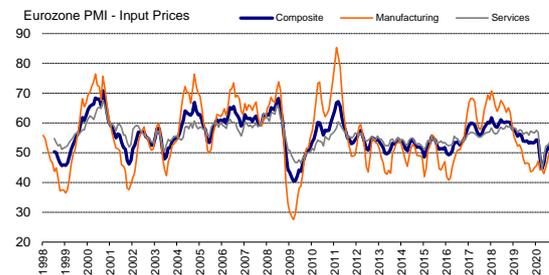
New business



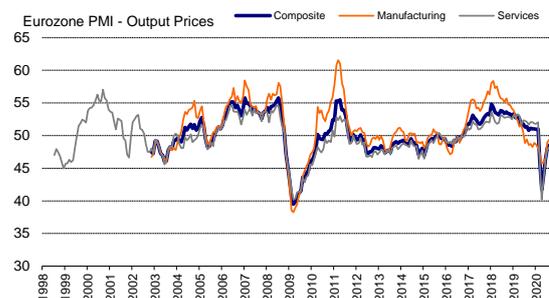
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final September data are published on 1 October for manufacturing and 5 October for services and composite indicators.

The Eurozone *PMI[®]* (*Purchasing Managers' Index[®]*) 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 ¹	0.0	0.2
Eurozone Manufacturing <i>PMI</i> ³	0.0	0.2
Eurozone Services Business Activity Index ²	0.0	0.3

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 subsequently revised data are available to subscribers from IHS Markit. Please contact 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[®] (*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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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