

## **Eurozone PMIs in January 2021**

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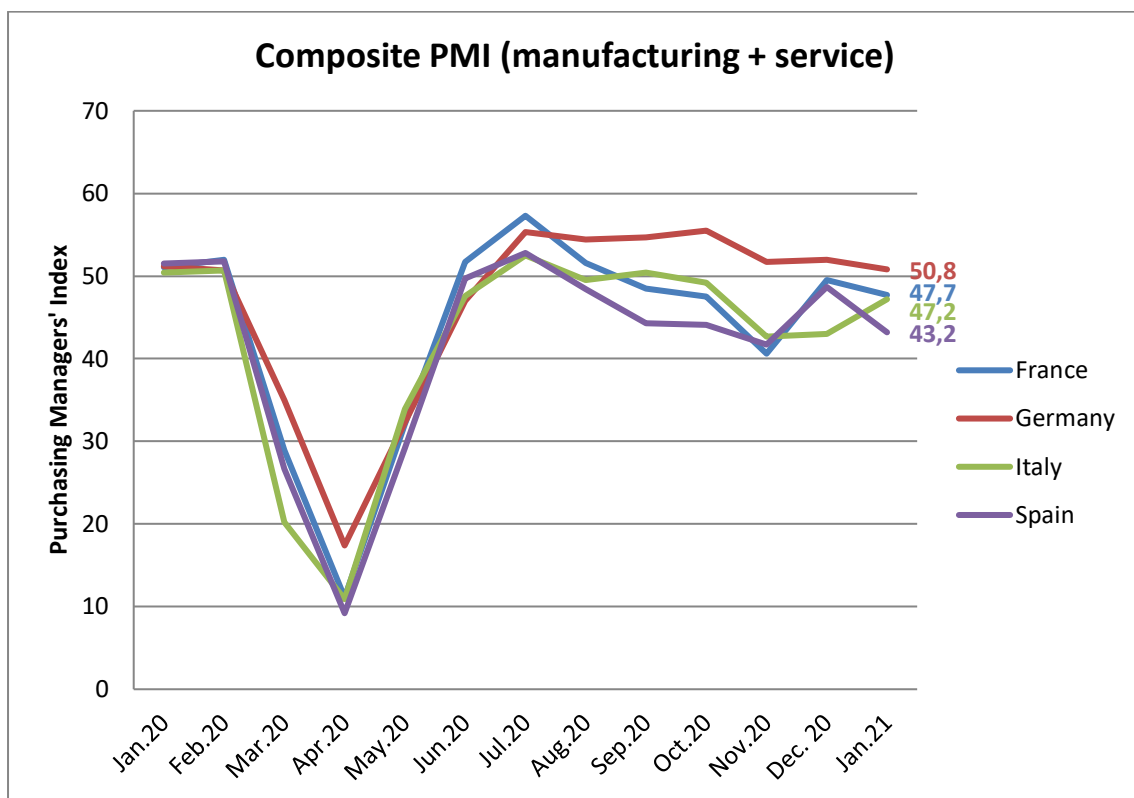
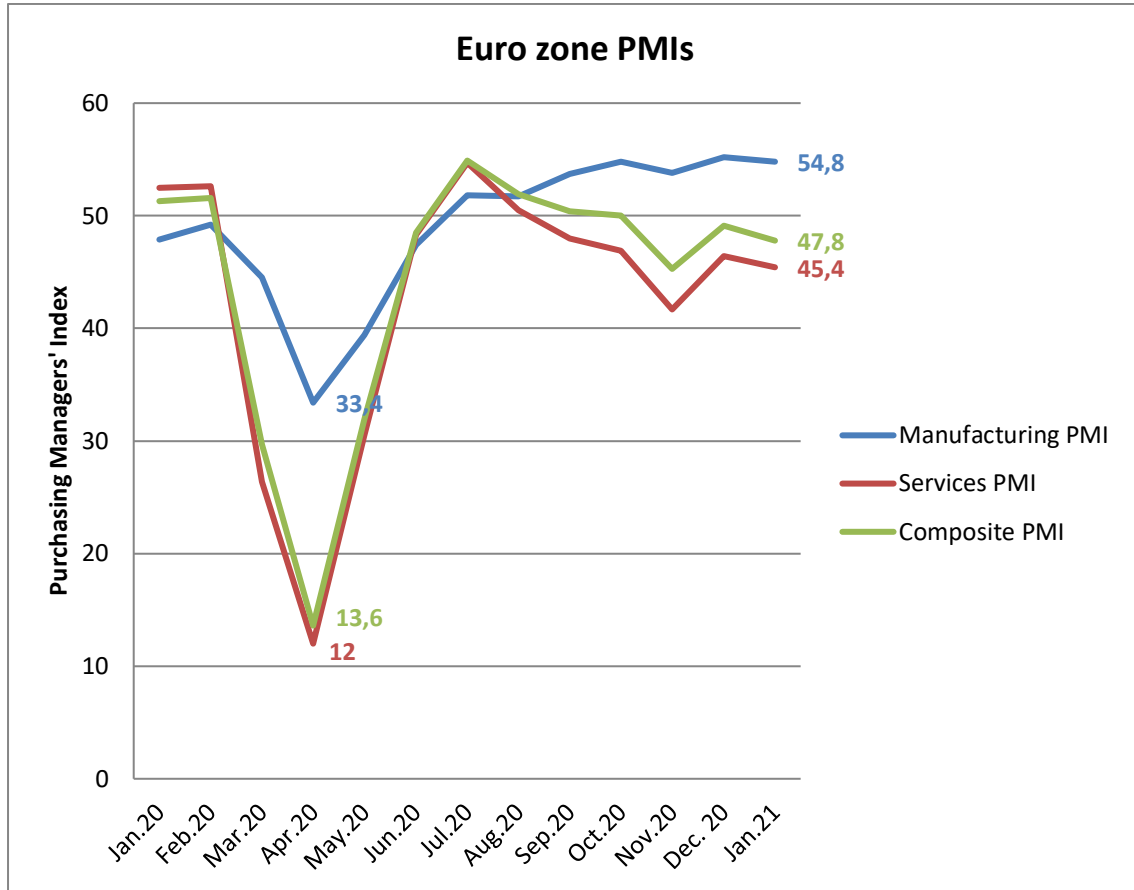
The IHS Markit Eurozone PMI Composite Output Index reached 47,8 in January, well into negative territory and down from 49,1 the month before. Out of the four major economies of the Eurozone, Germany was the only member state exhibiting a composite index in expansionary territory, though, the value of the indicator (50,8 only) points to the weakest expansion since June 2020. (1)

The economic and social restrictions accompanying the global Covid-19 pandemic continue to be the factors of economic weakness in the Eurozone. This is particularly the case in the service sector, where the indicator suggests that activity contracted for the 5<sup>th</sup> consecutive month, and at an accelerated pace. (1)

In contrast, the manufacturing sector persists to stand above the no-change mark of 50 and recorded another month in expansion due to sustained gains in new orders and output. Yet, the rate of expansion seems to have weakened, leaving the IHS Markit Eurozone Manufacturing PMI at 54,8, compared to 55,2 in December. This slowdown can be tied back to supply chain disruptions, which in turn are responsible for delayed deliveries as well as rising input costs. (2)

The most substantial manufacturing expansions were recorded in countries with the most solid export base. This includes Germany, where the IHS Markit Manufacturing PMI was at 57,1. (3) Spain was the only country to experience a contracting manufacturing PMI at 49,3. This might reflect the snow storm recorded in the second week of January. (4)

Although IHS Markit data indicates a Eurozone economy that has grown more resilient to Covid-19-related constraints, socio-economic restrictions and lockdowns across the area are continuously impacting private-sector output. The industrial upturn experienced in the second half of last year seems to be returning to downturn with a global trade system weakened by surging shipping costs and delayed deliveries. (5) Unfolding developments will notably revolve around the Eurozone's roll-out of vaccines as well as the emergence of new strands of the virus.



Sources:

- (1) *IHS Markit Eurozone Composite PMI – final data*. IHS Markit. 3rd February 2021
- (2) *IHS Markit Eurozone Manufacturing PMI – final data*. IHS Markit. 1st February 2021.
- (3) *IHS Markit / BME Germany Manufacturing PMI*. IHS Markit. 1st February 2021.
- (4) *IHS Markit Spain Manufacturing PMI*. IHS Markit. 1st February 2021.
- (5) Dickens, Gabriella. *PMIs Provide First Sign that External Demand is Faltering*. Capital Economics. 1st February 2021.