

# Eastern European PMI Surveys

## Eastern Europe will provide little support to Eurozone growth

In recent years, past Eurozone downturns have been cushioned by the resilience of its neighbours to the east. When the Eurozone PMI signalled a contraction of manufacturing output due to the 9/11 terrorist attacks in 2001 and again in 2003 due to the Iraq war, PMI data showed that output in Eastern Europe continued to expand. This meant demand for intermediate and, more importantly, capital goods produced in the euro area continued to rise, boosting exports to the east and limiting the rate of euro area economic contraction.

This is illustrated in the charts, where the Markit Eurozone Manufacturing PMI data are compared against series of composite indices derived from the available PMI surveys in Eastern Europe (Poland, Czech Republic, Hungary, Russia and Turkey).

It is striking to note the contrast of the current downturn with previous periods of contraction, with output, new orders and employment growth collapsing in Eastern Europe in tandem with the Eurozone. All Eastern European national PMI surveys signalled record rates of manufacturing output and order book contraction in November, as did the Eurozone PMI.

During previous Eurozone downturns, Eastern European growth was supported by continued foreign investment and outsourcing to lower-cost countries. However, such investment has dried up in the current downturn, due to reduced credit and growing concerns over the severity of a global recession.

In addition to signalling a heightened risk of Eastern Europe moving into recession next year, the parallel downturns in Eastern European economies and the Eurozone point to a deeper and longer recession in the Eurozone.

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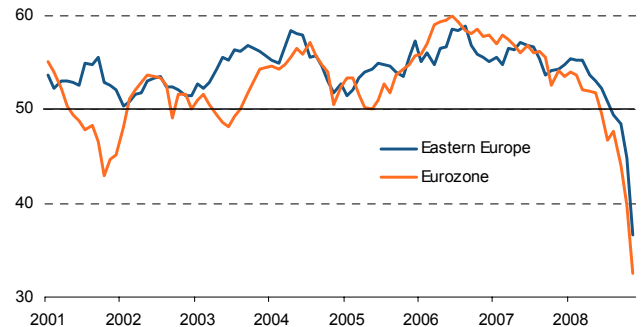
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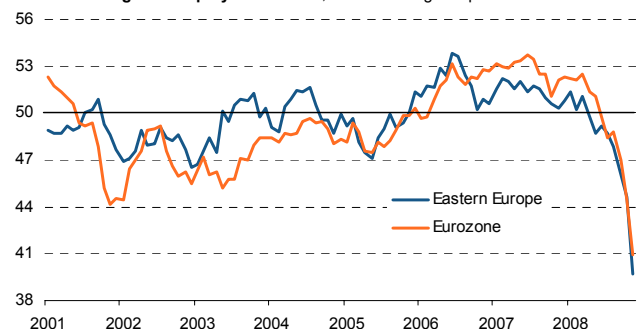
### PMI Survey Output

Manufacturing PMI Output Index, 50 = no change on previous month



### PMI Survey Employment

Manufacturing PMI Employment Index, 50 = no change on previous month

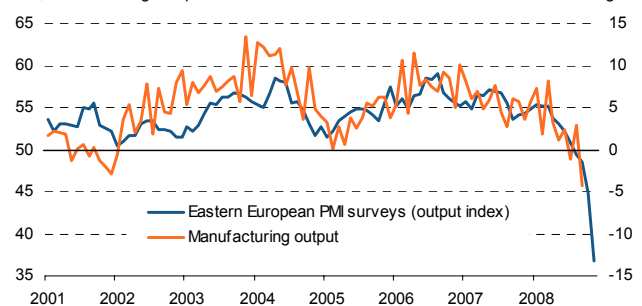


### Eastern European manufacturing

Manufacturing Output

PMI, 50 = no change on previous month

Annual % change



Sources: Markit, Ecwin, Goskomstat.

Note: official data for Russia relates to industrial production not manufacturing.