

Eurozone Manufacturing PMI

Eurozone manufacturing downturn could be steepest since 1993

- **Surprise weak Eurozone industrial production in September to be followed by further deterioration.**
- **PMI is consistent with IP growth falling 4.7% on a year ago in October.**

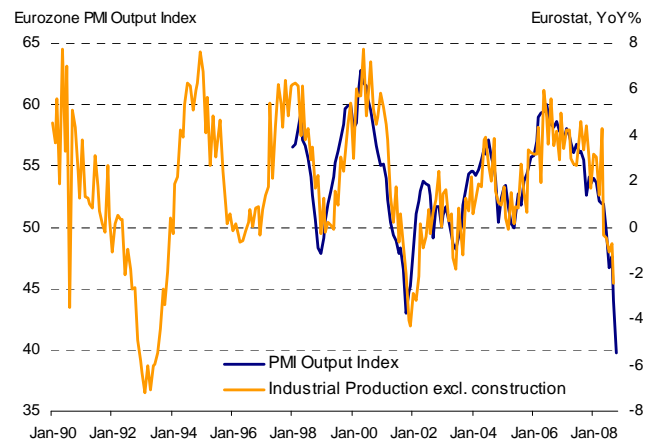
Analysts were surprised at the weakness of Eurozone industrial production in September, published 12 November, which came in well below expectations. According to Eurostat, industrial production (excluding construction) fell 2.4% on a year ago in September, the steepest fall since February 2002. The consensus forecast among economists polled by Reuters was for a decline of just 0.9%.

The decline in the official data had been anticipated by sharp falls in the Purchasing Managers' Index (PMI) manufacturing survey, which indicated a strong contraction in production. Moreover, analysis of the latest survey findings suggests that further weakness is likely in the coming months.

The PMI data are presented as index numbers, with 50.0 signalling no change on the previous month. Because PMI data have shown a very similar trend to Eurostat industrial production numbers since data were first available in 1998, regression analysis can be used to estimate the official rate of growth or decline that is consistent with different PMI readings.

This analysis shows that the September manufacturing PMI was consistent with industrial production excluding construction falling 2.6% on a year ago, close to the actual decline of 2.4%. A further fall in the PMI Output Index to a new low in October leaves the survey at a level consistent with industrial production dropping 4.7% on a year ago, which would be the strongest rate of decline since 1993. Official industrial production figures for October are released on 12 December.

Eurozone PMI v. Eurostat IP



Industrial production

(excluding construction, working day adjusted)

	Eurostat YoY % chg	PMI-estimated YoY % chg
Jun	-0.4	0.1
Jul	-1.1	-1.3
Aug	-0.7	-0.9
Sep	-2.4	-2.6
Oct	n/a	-4.7

Sources: Eurostat, Markit.

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