

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 21 May 2021

IHS Markit Flash Eurozone PMI®

Eurozone economy revives as demand surges at fastest rate for 15 years

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 56.9 (53.8 in April). 39-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 55.1 (50.5 in April). 35-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 61.9 (63.2 in April). 3-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 62.8 (62.9 in April). 2-month low.

Data collected May 11-20

Eurozone business activity grew at a sharply faster rate in May as economies continued to open up from virus restrictions. The rate of expansion hit the highest for over three years as new order inflows surged to an extent not seen for almost 15 years. Business optimism about the year ahead continued to break new highs, but price gauges rose further – hitting all-time highs in manufacturing – as demand continued to outstrip supply for many goods and services.

IHS Markit Eurozone PMI and GDP



The headline IHS Markit Eurozone Composite PMI® rose from 53.8 in April to 56.9 in May, according to the preliminary 'flash' reading, which is typically

based on approximately 85% of final responses. The latest reading was the highest since February 2018 and indicated a third successive month of output growth.

New order growth meanwhile surged to the highest since June 2006, outpacing growth of output to the greatest extent in the survey's 23-year history. Backlogs of uncompleted orders consequently rose to a degree not surpassed since that series began in November 2002, underscoring the growing shortfall of current output relative to demand.

Businesses meanwhile view the outlook as increasingly positive, with optimism about the year ahead the brightest since comparable data on future sentiment were available in 2012, most commonly linked to the vaccine roll-out permitting a further relaxation of COVID-19 restrictions in the coming months.

The strengthening of demand and brighter outlook prompted firms to again take on extra staff, with employment rising for a fourth successive month in May. However, although the rate of job creation remained the second-highest in just under two years, it waned slightly due to instances of difficulties in filling job vacancies.

By sector, the upturn continued to be led by manufacturing, where output grew for an eleventh straight month with the rate of expansion easing only modestly further from March's all-time high.

Factories also reported that new order growth waned slightly for a second month running, but remained the third-highest in the survey's history – and strong enough to generate a new record rise in uncompleted backorders for a third straight month. Inventories of finished goods stock fell at a rate not seen since 2009 as firms increasingly met demand from existing stock.

The inability of factories to produce sufficient output to meet orders was in part due to a new record lengthening of input delivery times as supply chains continued to deteriorate.

However, while manufacturing reported the strongest growth rate, it was the service sector that drove the overall improvement in performance. Having eked out a marginal increase in April for the first time in eight months, business activity across the region's service sector expanded in May at a rate not seen since June 2018 as the easing of COVID-19 related restrictions facilitated a revival in demand. New orders for services rose for the first time since last July, growing at the fastest pace since January 2018. Backlogs of uncompleted work in the service sector also grew at the sharpest rate for over three years, reflecting short-term capacity constraints at many firms.

With demand continuing to run ahead of supply for many goods and services, inflationary pressures increased again in May.

Average input prices rose at the sharpest rate since March 2011, led by the largest rise in factory input costs recorded since survey data were first available 24 years ago. Service sector costs also grew at an increased rate, registering the sharpest rise since November 2018.

Average prices charged for goods and services meanwhile rose at the fastest pace since comparable data were first available in 2002, fueled by a survey-record increase in factory gate prices. Prices charged for services rose modestly by comparison, though showed the biggest increase for just over two years.

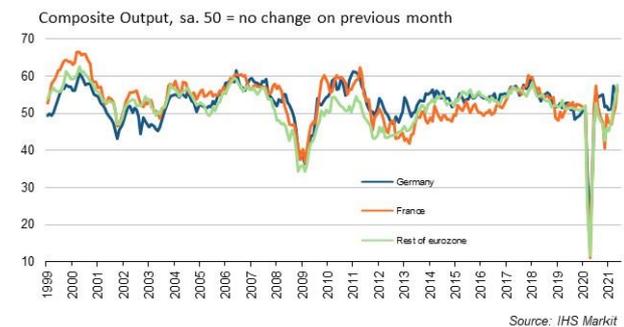
By country, growth accelerated especially sharply in France, reaching its highest since July 2020 on the back of accelerating manufacturing output growth (the fastest since January 2018) and resurgent service sector activity (the strongest since last July).

Germany also saw business output rise at an increased rate after growth waned in April, notching up the second-strongest performance since February 2018. While the service sector enjoyed the biggest gain in activity since last July, the manufacturing sector saw growth slow from the recent record pace of expansion thanks to supply chain bottlenecks.

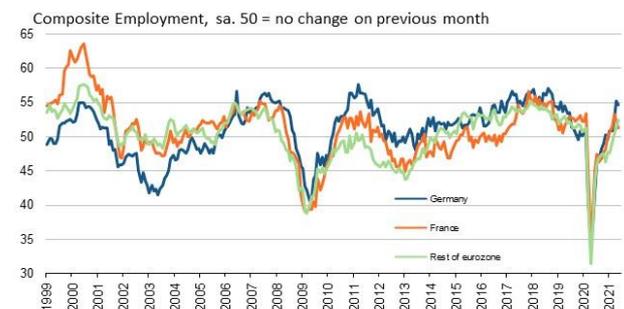
However, it was in the rest of the region where the strongest increase in business activity was recorded in May, with growth outside of France and Germany hitting the fastest since the start of 2018 thanks to a record jump in manufacturing output and the largest increase in service sector activity since February 2018.

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:

“Demand for goods and services is surging at the sharpest rate for 15 years across the eurozone as the region continues to reopen from covid-related restrictions. Virus containment measures have been eased in May to the lowest since last October, facilitating an especially marked improvement in service sector business activity, which has been accompanied by yet another near-record expansion

of manufacturing.

“Growth would have been even stronger had it not been for record supply chain delays and difficulties restarting businesses quickly enough to meet demand, especially in terms of re-hiring. The shortfall of business output relative to demand is running at the highest in the survey’s 23-year history.

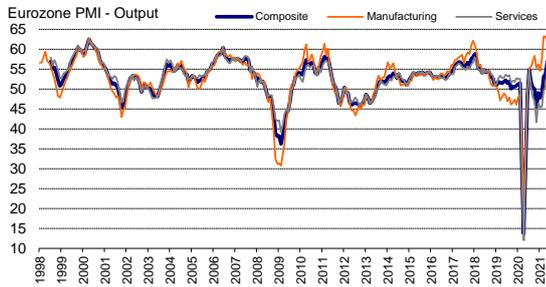
“This imbalance of supply and demand has put further upward pressure on prices. How long these inflationary pressures persist will depend on how quickly supply comes back into line with demand, but for now the imbalance is deteriorating, resulting in the highest-ever price pressures for goods recorded by the survey and rising prices for services.”

-Ends-

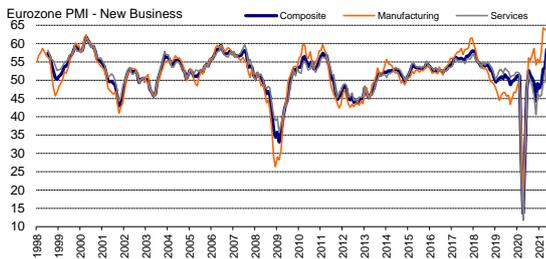
Summary of May data

Output	Composite	Output growth at 39-month high.
	Services	Steepest expansion in activity since June 2018.
	Manufacturing	Further strong increase in production.
New Orders	Composite	Sharpest rise in new orders for almost 15 years.
	Services	First increase in new business for ten months.
	Manufacturing	New order growth remains elevated.
Backlogs of Work	Composite	Record accumulation of backlogs.
	Services	Solid rise in outstanding business.
	Manufacturing	Work-in-hand increases at fastest pace on record.
Employment	Composite	Employment up solidly.
	Services	Fourth successive rise in staffing levels.
	Manufacturing	Sharp and accelerated expansion of workforce numbers.
Input Prices	Composite	Fastest rise in input costs since March 2011.
	Services	Input cost inflation at two-and-a-half year high.
	Manufacturing	Record rise in input prices.
Output Prices	Composite	Sharpest output price inflation on record.
	Services	Solid increase in charges.
	Manufacturing	Output price inflation surges to new record.
PMI⁽³⁾	Manufacturing	PMI at two-month low of 62.8.

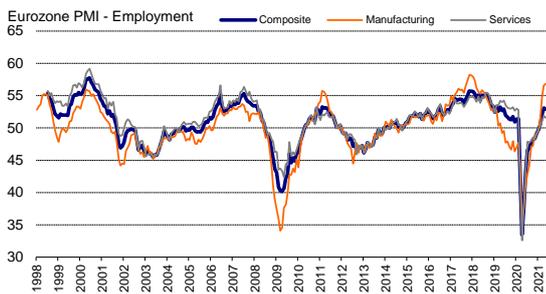
Output



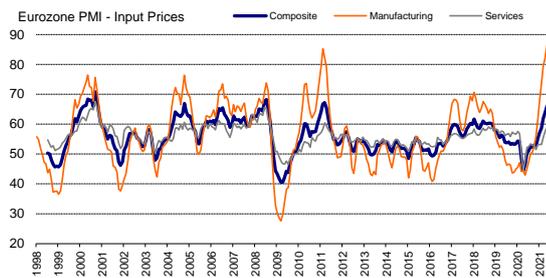
New business



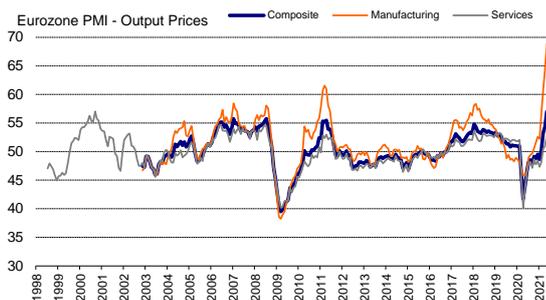
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final May data are published on 1 June for manufacturing and 3 June 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	0.1	0.3
Eurozone Manufacturing <i>PMI</i> ²	0.0	0.2
Eurozone Services Business Activity Index ²	0.1	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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