News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 3rd March 2021

IHS Markit Eurozone Composite PMI® – final data

Includes IHS Markit Eurozone Services PMI®

Strong manufacturing growth fails to offset services contraction

Key findings:

- Final Eurozone Composite Output Index: **48.8** (Flash: 48.1, January Final: 47.8)
- Final Eurozone Services Business Activity Index: **45.7** (Flash: 44.7, January Final: 45.4)

Data collected 11-23 February

The eurozone's private sector economy experienced a further modest drop in output during February, although a rise in the seasonally adjusted **IHS Markit Eurozone *PMI*® Composite Output Index** pointed to a slower rate of contraction. The index posted 48.8 in February, up from January's 47.8 and also higher than the earlier flash reading.

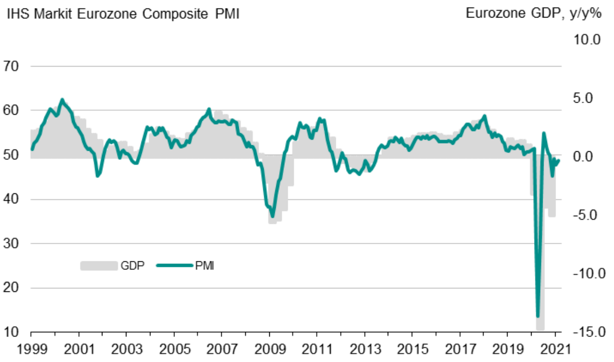
The latest data again indicated a broadly two-speed economy. On the one hand, manufacturing registered its strongest expansion of output in four months, fuelled by strengthened demand from both domestic and international sources. In stark contrast, the service sector – especially those areas impacted the most by social-contact restrictions – recorded another marked contraction of activity.

Italy joined Germany as the only nations to record modest growth of output during February as strong manufacturing performances more than offset ongoing weakness in services industries.

Overall declines were recorded elsewhere, with Ireland again recording the sharpest contraction, followed by Spain and then France.

Returning to the eurozone overall, the modest fall in activity was again closely linked to a decline in new orders. Latest data showed that new business fell for a fifth successive month, though February's rate of contraction was marginal. This partly reflected the strongest increase in new export business for nearly three years.

IHS Markit Eurozone Composite PMI Output Index



Sources: IHS Markit, Eurostat.

Countries ranked by Composite PMI*:

Italy	51.4	7-month high
Germany	51.1 (flash: 51.3)	2-month high
France	47.0 (flash: 45.2)	3-month low
Spain	45.1	2-month high
Ireland	42.7	2-month high

** Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.*

On the employment front, there was some positive news as a net increase (albeit marginal) was recorded for the first time in 12 months. Jobs growth was seen across the region, with the exception of Spain, where another drop in staffing levels was seen. Of the remaining four nations for which data are available, France experienced the strongest rise in staffing levels.

Growth in employment was however limited by ongoing spare capacity, as evidenced by a fall in levels of work outstanding in February. Although marginal, the latest cut in backlogs extended the current period of continuous decline to two years.

Led by rapidly rising in costs in manufacturing – in turn reflective of acute input delivery delays amid an upturn in global demand and transportation challenges – overall private sector operating expenses rose sharply in February. According to the latest data, input cost inflation was recorded for the ninth successive month and to the sharpest degree recorded by the survey since November 2018.

In response to increased costs, output charges edged higher for the first time since last February, although the rate of inflation was marginal.

Finally, hopes of a successful rollout of vaccines and a noticeable dialing back of restrictions related to COVID-19 prevention helped to drive business confidence up to its highest level for three years.

Services

The **IHS Markit Eurozone *PMI*® Services Business Activity Index** remained mired below the 50.0 no-change mark to signal a sixth successive monthly reduction in service sector activity. The index was little changed since January's 45.4, recording 45.7 in February.

Once again, all five nations recorded a drop in activity, led by Ireland and Spain. France and Germany recorded similarly marked falls in activity, with the latter experiencing its worst performance since last May.

Driving the reduction in regional activity was again a fall in levels of incoming new work, which were down for a seventh month in a row. Export sales were also lower, albeit at the slowest rate in the past year.

Due to modest gains in both Germany and France, a net increase in eurozone service sector staffing levels was recorded during February. Though slight, it was the first time that growth has been recorded in 12 months and reflected in part more positive projections for activity in the coming year. Indeed, service sector business expectations improved in February to their highest level since April 2018.

Meanwhile, input cost inflation was unchanged on January's five-month high in February amid reports of higher prices for a range of goods and services. The challenging business environment however meant that output charges were cut for a twelfth successive month, with all nations covered by the survey recording a reduction in prices since January.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

"A fourth successive monthly drop in business activity puts the eurozone economy on course for a double-dip recession, though an easing in the rate of decline underscores how the latest downturn appears far less severe than the initial hit from the pandemic last year.

"While many hospitality-based companies in the service sector continue to struggle due to COVID-19 related restrictions, manufacturing is faring well and alleviating the overall economic impact of lockdown measures. Even some hard-hit parts of the service economy are showing greater resilience than last year, suggesting some adaptation to the constraints of social distancing.

"However, it's becoming clear that many virus-fighting measures will need to be in place for some time to come, in part due to the slow vaccine roll-out. This could extend the drag on the economy from the pandemic into the second half of the year and subdue the pace of recovery.

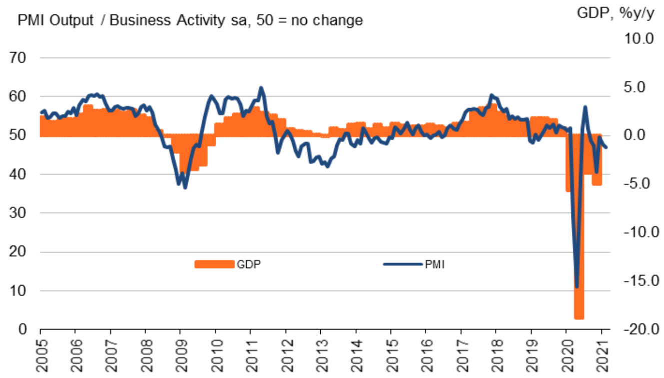
"A key question will be the extent to which these containment measures will limit the supply of goods and services at a time of recovering demand, as this will in turn determine pricing power in coming months and affect how long the current bout of sharply rising prices will persist."

-Ends-

*** Click here for further details of using the PMI to measure GDP in advance.*

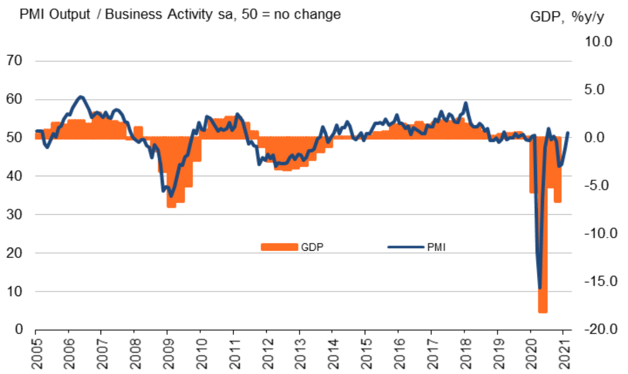
† for business confidence (optimism), companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

France



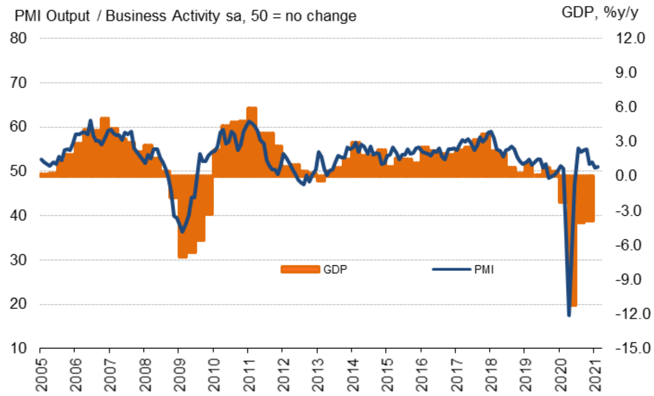
Source: IHS Markit, INSEE GDP = gross domestic product

Italy



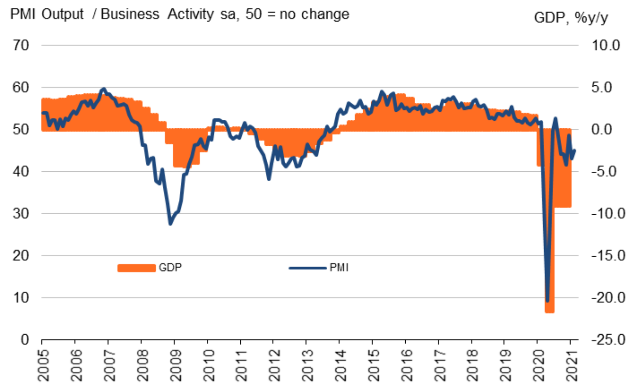
Source: IHS Markit, ISTAT GDP = gross domestic product

Germany



Source: IHS Markit, FSO. GDP = gross domestic product

Spain



Source: IHS Markit, INE. GDP = gross domestic product

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Note to Editors:

The Eurozone Composite *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 manufacturing and services firms. 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 Eurozone Services *PMI* (*Purchasing Managers' Index*) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The **final** Eurozone Composite *PMI* and Services *PMI* follows on from the **flash** estimate which is released a week earlier and is typically based on approximately 75%–85% of total *PMI* survey responses each month. The February composite flash was based on 83% of the replies used in the final data. The February services flash was based on 76% of the replies used in the final 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 *PMI*	0.0	0.2
Eurozone Services Business Activity *PMI*	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.

About IHS Markit (www.ihsmarkit.com)
IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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.