IHS Markit Eurozone Composite PMI® – final data

Includes IHS Markit Eurozone Services PMI®

Eurozone economy suffers record fall in activity during March

Key findings:
- Final Eurozone Composite Output Index: **29.7** (Flash: 31.4, February Final: 51.6)
- Final Eurozone Services Business Activity Index: **26.4** (Flash: 28.4, February Final: 52.6)

Data collected March 12-26

The **IHS Markit Eurozone PMI® Composite Output Index** recorded its biggest ever single monthly fall in March to hit a survey record low of 29.7. Not only was the index down from February's 51.6, it was also notably weaker than the earlier flash estimate of 31.4 as the coronavirus disease 2019 (COVID-19) pandemic impacted heavily on the euro area’s private sector economy.

Both sectors covered by the survey recorded notable falls in output during March, with the greater decline seen in services where a series record fall in activity was registered. Goods producers saw production decline for a fourteenth successive month, and at the sharpest rate since April 2009.

Country level data indicated that falls in activity were considerable and wide-reaching across the eurozone during March. The four largest nations covered by the survey all registered record declines in activity, with Italy and Spain experiencing the sharpest reductions.

The considerable fall in activity was closely linked to a similar sized deterioration of incoming new work as government measures designed to limit the spread of COVID-19 weighed heavily on demand and economic activity. March’s survey showed that incoming new work deteriorated to the greatest extent in the survey’s near 22-year history.

Confidence about the future was the lowest recorded by the survey since data were first available in July 2012. Worries over COVID-19 and the various measures designed to contain the outbreak, plus the uncertainty over how long these could be in place for, weighed heavily on sentiment. Confidence deteriorated to record lows across all nations during March.

Such uncertainty led many companies to reduce their employment levels. According to the March data, job losses were registered for the first time in over five years. Moreover, the rate of contraction was the sharpest since June 2009 with job losses registered across all nations covered by the survey. Spain recorded the sharpest contraction in employment.
Despite the considerable cuts to employment and activity, overall workloads faced by eurozone companies were nonetheless markedly lower. Backlogs of work, a measure of capacity constraints at firms, deteriorated to the greatest degree in 11 years.

Finally, on the price front, reduced energy prices and lower employment costs pushed overall operating expenses down modestly for the first time in four years. Average output charges were cut to the greatest degree in over a decade.

Services

The IHS Markit Eurozone PMI® Services Business Activity Index fell markedly during March to a new record low of 26.4. The month-on-month fall from 52.6 in February was also a series record as the COVID-19 pandemic and associated measures to contain the outbreak through Europe weighed heavily on business performance.

Incoming new work was also down sharply and at a series record pace to therefore bring to an end over five years of continuous growth. By country, Italy and Spain recorded the greatest declines in both new work and activity.

With new work declining sharply, overall workloads at service providers were down as evidenced by a decline in work outstanding for the first time in four months. The rate of decline was considerable, and the sharpest recorded in the survey history.

Firms were also increasingly unsure of the long-term impact of the COVID-19 pandemic over the coming year. This led to a sharp and considerable drop in business confidence to a new survey low, with service providers across the whole region pessimistic about the future.

Falling workloads and great uncertainty about the future led many service providers to lower staffing levels at their units. Overall, employment declined for the first time in nearly five-and-a-half years and to the greatest degree in the survey history.

Finally, average input prices were down slightly in March, the first such fall recorded by the survey in nearly ten-and-a-half years. Average output charges declined to the greatest degree since November 2009.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

“With various countries stepping up their measures to contain the spread of the coronavirus, it’s no surprise to see the final PMI for March indicated an even steeper deterioration of business activity than the prior record decline signalled by the provisional ‘flash’ estimate. The data indicate that the eurozone economy is already contracting at an annualised rate approaching 10%, with worse inevitably to come in the near future.

“The service sector is currently seeing an especially severe impact from the COVID-19 outbreak, with travel, tourism, restaurants and other leisure activities all hit hard by virus containment measures.

“No countries are escaping the severe downturn in business activity, but the especially steep decline in Italy’s service sector PMI to just 17.4 likely gives a taste of things to come for other countries as closures and lockdowns become more prevalent and more strictly enforced in coming months.

“While employment is not yet falling as fast as seen during the financial crisis, the coming months will no doubt see jobless numbers rise sharply, even as governments across the eurozone seek to limit these. However, the ultimate economic cost of the COVID-19 outbreak cannot be accurately estimated until we get more clarity on the duration and scale of the pandemic.”

-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.
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Note to Editors:

The Eurozone Composite \(\text{PMI}^\text{®} \) (\text{Purchasing Managers' Index}^\text{®}) 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 March composite flash was based on 87% of the replies used in the final data. The March services flash was based on 81% of the replies used in the final data. Data were collected 12-26 March.

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):

<table>
<thead>
<tr>
<th>Index</th>
<th>Average difference</th>
<th>Average difference in absolute terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurozone Composite Output PMI</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Eurozone Services Activity PMI</td>
<td>0.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>

The \textit{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. \textit{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.

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About PMI

\textit{Purchasing Managers’ Index}^\text{®} (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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