

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Eurozone PMI[®]

Flash eurozone PMI falls in March as manufacturing downturn deepens

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 51.3 (51.9 in February). 2-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.7 (52.8 in February). 2-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 47.7 (49.4 in February). 71-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 47.6 (49.3 in February). 71-month low.

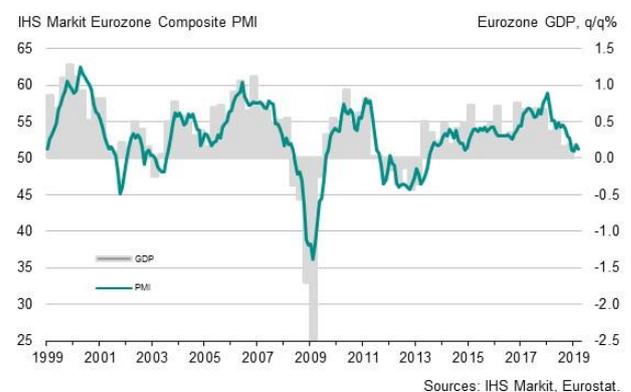
Data collected March 12-21

The eurozone economy lost momentum again in March, expanding only modestly as manufacturers reported their steepest downturn for six years. The service sector showed greater resilience but remained in its worst growth spell since late-2016. Stagnant order books and gloomier future expectations meanwhile led to reduced hiring.

The IHS Markit Eurozone Composite PMI[®] fell from 51.9 in February to 51.3 in March, according to the preliminary 'flash' estimate. The March reading was the third-lowest since November 2014, running only marginally above the recent lows seen in December and January. The flash estimate is typically based on approximately 85% of the final number of replies received each month.

New order growth stagnated for a second successive month following a slight decline in January, with backlogs of work dropping for the third time in four months. The reduction in backlogs was the largest since November 2014 and was indicative of excess capacity developing in the economy. Employment growth consequently slowed, down to the joint-weakest since September 2016, as increasing numbers of companies reviewed their payroll requirements in the light of reduced workloads.

IHS Markit Eurozone PMI and GDP



Key to the deterioration in business growth was a further marked decline in export orders (which include intra-euro area trade). New exports of goods and services fell for a sixth straight month, deteriorating at the steepest rate since comparable data for total exports were first available in September 2014.

The worsening trend was primarily a reflection of an acceleration in the rate of decline in **manufacturing**. The headline manufacturing PMI fell to its lowest since April 2013 as downturns in factory output and new orders gained momentum. While the drop in factory output was the steepest for just under six years, the deterioration in new orders was more marked and the sharpest since December 2012. The latter was fueled by the largest fall in new export orders since August 2012.

Factory output has now fallen for two successive months and new orders for six straight months. With new orders contracting at a steeper rate than output, backlogs of work fell to the greatest extent since December 2012. Factory employment more or less stagnated as a result, showing the weakest rise for over four years, and input buying fell to a degree not witnessed for six years.

Service sector growth remained more resilient, dipping only marginally on February and running above the lows seen at the turn of the year. However, the rate of expansion remained well below that seen this time last year and subdued compared to the average recorded during 2018.

Although inflows of new business ticked higher in the service sector, exports fell to the greatest extent seen since data were first available in late-2014. Backlogs of work meanwhile fell for the second time in three months, contributing to an easing in service sector jobs growth to the second-lowest for just over two years.

Looking ahead, companies' expectations of output in the coming year slipped lower, running above the lows seen at the turn of the year but remaining among the weakest recorded since late-2014. Manufacturing optimism remained especially low, easing to the gloomiest since December 2012.

Reduced optimism principally reflected the expected impact of lowered forecasts for economic growth, with widespread concerns specifically focusing on heightened political uncertainty, trade wars and Brexit. The auto sector also remained a key area of expected weakness.

Mixed signals were seen in relation to prices. Having slipped to the lowest for one-and-a-half years in February, average selling price inflation picked up slightly in March, though input cost inflation eased for a fifth successive month. Input prices rose at the slowest rate since October 2016, with an especially marked rate of cooling seen in the goods-producing sector as supplier pricing power waned. However, service sector costs also rose at a reduced rate.

In **Germany**, business activity grew at its slowest rate since June 2013 with new orders declining for a third successive month. Although service sector growth remained robust, manufacturing output fell at the sharpest rate since August 2012. Factory orders deteriorated to the greatest extent since the height of the global financial crisis in April 2009. Hiring in Germany meanwhile slipped to a 34-month low as backlogs of work fell for a fifth successive month and business optimism about the year ahead waned.

In **France**, business activity fell for the third time in four months. While February saw a rebound from

yellow vest protest disruptions, March saw activity deteriorate again as new order inflows contracted for a fourth straight month. Employment growth slowed to near-stagnation, its lowest since December 2016.

Elsewhere, the rate of output growth accelerated to its highest since last September as service sector growth hit an eight-month high. Manufacturing output stagnated, however, failing to grow for the first time since June 2013 in response to a third successive monthly drop in goods producers' new orders.

Comment

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

"The eurozone economy ended the first quarter on a soft note, with the flash PMI running at one of the lowest levels seen since 2014. The survey indicates that GDP likely rose by a modest 0.2% in the opening quarter, with a decline in manufacturing output in the region of 0.5% being offset by an expansion of service sector output of approximately 0.3%.

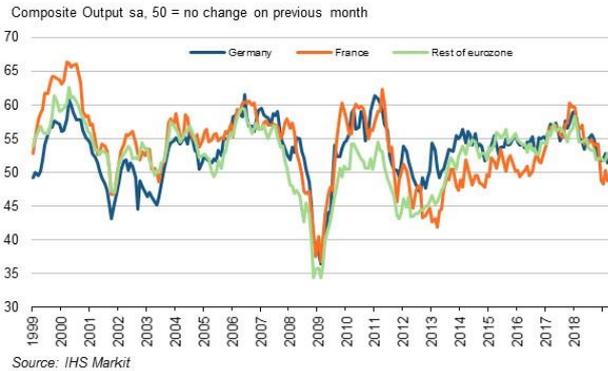
"A rebound in February from one-off factors such as the yellow vest protests in France appears to have already lost momentum. Most worrying is the plight of the manufacturing sector, which is now in its deepest downturn since 2013 as trade flows contracted at the sharpest rate since the debt crisis-ridden days of 2012. The service sector is showing more resilience, notably in Germany, but remains in one of its worst growth patches since 2016.

"Forward-looking indicators such as business optimism and backlogs of work suggest that growth could be even weaker in the second quarter. Worryingly, with order book backlogs shrinking at the steepest rate since late-2014, more and more companies are pulling back on hiring, and likely reviewing their investment spending.

"Any such further loss of growth momentum in the second quarter compared to the 0.2% GDP rise signalled for the first three months of the year would raise doubts on the economy's ability to grow by more than 1% in 2019."

-Ends-

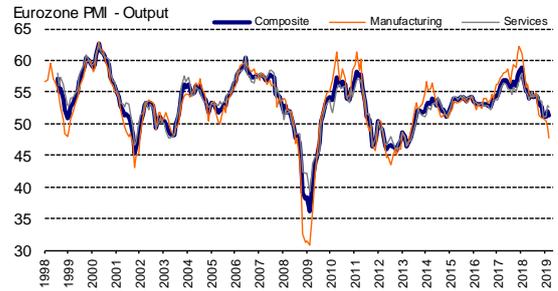
Core v. Periphery PMI Output Indices



Core v. Periphery PMI Employment Indices



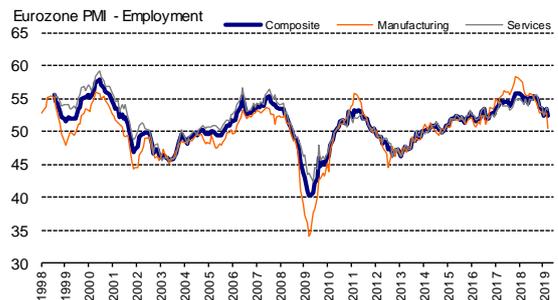
Output



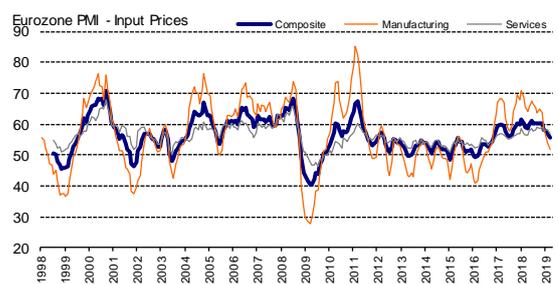
New business



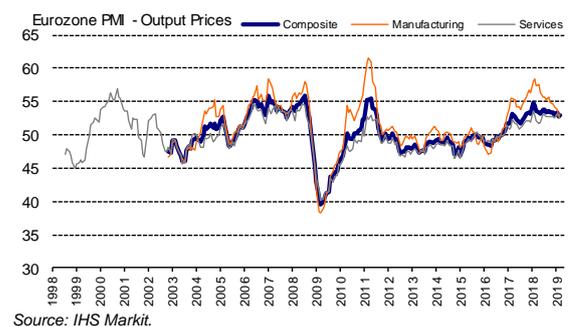
Employment



Input prices



Output prices



Summary of March data

Output	Composite	Modest rise in output
	Services	Solid expansion of services business activity.
	Manufacturing	Sharpest fall in output since April 2013.
New Orders	Composite	New business unchanged.
	Services	New order growth quickens.
	Manufacturing	Substantial reduction in new orders.
Backlogs of Work	Composite	Outstanding business declines.
	Services	Fall in backlogs for second time in three months.
	Manufacturing	Work-in-hand down for seventh month running.
Employment	Composite	Rate of job creation eases.
	Services	Fifty-third successive increase in employment.
	Manufacturing	Slowest rise in staffing levels for 52 months.
Input Prices	Composite	Weakest increase in input prices since October 2016.
	Services	Cost inflation at 11-month low.
	Manufacturing	Input prices rise to least extent in over two-and-a-half years.
Output Prices	Composite	Solid increase in charges.
	Services	Output prices rise at slightly faster pace.
	Manufacturing	Charge inflation slows for sixth month running.
PMI⁽³⁾	Manufacturing	PMI at 71-month low of 47.6.

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Note to Editors:

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

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

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