IHS Markit Eurozone Composite PMI® – final data
Includes IHS Markit Eurozone Services PMI®

Eurozone private sector returns to growth on back of strong manufacturing performance

Key findings:
- Final Eurozone Composite Output Index: 53.2 (Flash: 52.5, February Final: 48.8)
- Final Eurozone Services Business Activity Index: 49.6 (Flash: 48.8, February Final: 45.7)

Data collected 12-26 March

Underpinned by a series record increase in manufacturing output, the eurozone private sector economy returned to growth during March. After accounting for seasonal effects, the IHS Markit Eurozone PMI® Composite Output Index posted 53.2, up from 48.8 and the highest level since last July. The index was also above the earlier flash reading for March.

The second-fastest increase in private sector output in two-and-a-half years was driven in the main by a surge in manufacturing production, the strongest in nearly 24 years of data collection. In contrast, services output fell again, although only marginally and at the slowest rate in the current seven-month sequence of contraction.

The improved activity picture was broadly seen across the eurozone, with all nations experiencing a rise in their headline indices during March. Growth was led by Germany, where a resurgent manufacturing economy helped drive the country’s best overall activity performance in just over three years.

Ireland also saw a solid expansion, followed by modest growth in Italy and a slight activity rise in Spain. France was the only country not to record an expansion in activity, although output was stable following six successive monthly declines.

Supporting the rise in overall eurozone private sector activity was an increase in new orders – again led in the main by the manufacturing economy. Overall, new sales rose at the sharpest degree in two-and-a-half years. Moreover, demand increased across both domestic and external markets, with new export business rising at the strongest rate in over six-and-a-half years of data collection.

Rising new business added to overall workloads, with firms reporting an increase in backlogs of unfinished business for the first time since November 2018. This spilled over into the labour market, with firms choosing to take on additional workers for the second successive month and to the greatest degree since June 2019. Jobs growth
was seen across both manufacturing and services economies.

Cost pressures meanwhile intensified, with March’s data showing the sharpest rise in operating expenses for nearly a decade. Supply-side delays were reported to be a key factor driving input prices higher, especially in manufacturing.

Firms were, however, able to pass on a portion of these higher costs to clients in the form of higher output charges. Latest data showed that output price inflation accelerated during March to its strongest since the start of 2019.

Finally, amid growing hopes that vaccination programmes will provide the basis for a strong rise in activity in the second half of 2021, business confidence improved to a 37-month peak.

**Comment**

Chris Williamson, Chief Business Economist at IHS Markit said:

“Eurozone business activity bounced back in March, returning to growth after four months of decline with an even stronger expansion than signaled by the forecast-beating ‘flash’ data.

“Manufacturing is booming, led by surging production in Germany, and the hard-hit service sector has come close to stabilizing as optimism about the outlook improved further during the month. Firms’ expectations of growth are running at the highest for just over three years amid growing hopes that the vaccine roll-out will boost sales in the coming months.

“Strengthening demand has already led to the largest rise in backlogs of uncompleted work seen for almost three years, encouraging increasing numbers of firms to take on additional staff. Improving labour markets trends should help further lift consumer confidence and spending as we head into the second quarter.

“The survey therefore indicates that the economy has weathered recent lockdowns far better than many had expected, thanks to resurgent manufacturing growth and signs that social distancing and mobility restrictions are having far less of an impact on service sector businesses than seen this time last year. This resilience suggests not only that companies and their customers are looking ahead to better times, but have also increasingly adapted to life with the virus.”

-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.

Germany

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

Italy

Source: IHS Markit, ISTAT. 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 March composite flash was based on 89% of the replies used in the final data. The March services flash was based on 84% 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):

<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 Business Activity PMI</td>
<td>0.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>

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.

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