

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CEST) / 0800 (UTC) 23 April 2021

IHS Markit Flash Eurozone PMI®

Eurozone expansion gathers pace as manufacturing enjoys record boom

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 53.7 (53.2 in March). 9-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 50.3 (49.6 in March). 8-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 63.4 (63.3 in March). Record high (since June 1997).
- Flash Eurozone Manufacturing PMI⁽³⁾ at 63.3 (62.5 in March). Record high (since June 1997).

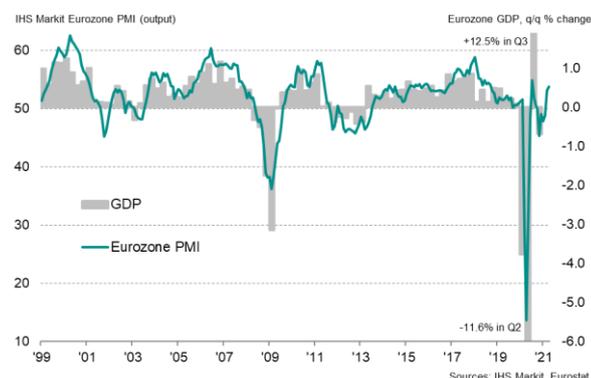
Data collected April 12-22

Eurozone business activity grew at a stronger rate in April, the rate of increase accelerating to the fastest since last July as a record expansion of manufacturing output was accompanied by a return to growth in the service sector for the first time since last August.

The headline IHS Markit Eurozone Composite PMI® rose from 53.2 in March to 53.7 in April, according to the preliminary 'flash' reading, which is typically based on approximately 85% of final responses.

Output has now risen for two months after four months of decline, with the latest expansion the second-largest recorded since September 2018.

IHS Markit Eurozone PMI and GDP



Manufacturing output grew for a tenth straight month, expanding at a rate unsurpassed in over two decades of survey history. Germany led the factory upturn, its rate of increase easing only slightly from March's all-time high to remain the second-strongest on record. France's factory expansion also slowed slightly, though remained the second best seen over the past three years. Record manufacturing output growth was meanwhile seen across the rest of the region as a whole.

The service sector continued to lag behind, principally reflecting further efforts to contain the spread of COVID-19 in many member states, though nevertheless reported the first expansion of activity since last August, albeit growing only very modestly. The return to service sector growth seen in Germany during March came close to stalling after new lockdown measures were introduced to control further waves of the virus, but both France and the rest of the eurozone saw marginal expansions for the first time since last summer as companies prepared for better times ahead.

Other survey indicators brought promising signals for coming months. New order growth across the eurozone hit the highest since September 2018, led by a second-successive record increase in new orders for manufactured goods. In contrast, new orders for services fell for a ninth successive month, though came close to stabilising.

Backlogs of work grew for a second month in a row, rising to an extent not seen since January 2018, as firms struggled to cope with the influx of new business. A survey record increase in manufacturing backlogs was joined by the first increase in outstanding business in the service sector since the pandemic began.

Future expectations also improved, climbing to the highest since comparable data were first available in mid-2012. Although sentiment slipped slightly lower in Germany, it remained close to March's survey high. In contrast, firms in France and the rest of the region as a whole grew more optimistic, the latter reaching unprecedented levels as virus recovery hopes continued to build.

Companies responded to the accumulation of uncompleted orders and brighter outlook with a third successive month of net hiring, with employment growing at the steepest pace since November 2018. Manufacturers saw headcounts rise at a rate not seen since February 2018 while a far more modest rate of job creation was seen in the service sector, although even here the rise was the largest since the onset of the pandemic.

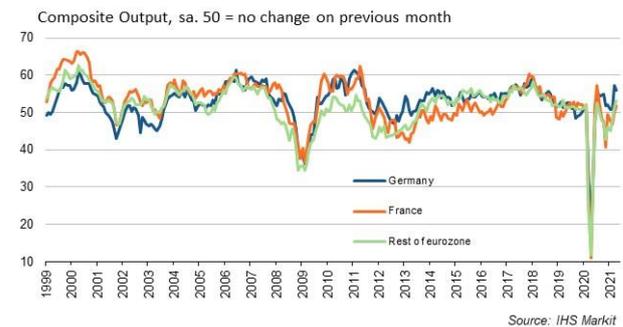
The return to growth was accompanied by a further increase in inflationary pressures as demand revived and costs increased.

Average input prices across both manufacturing and services rose at the sharpest rate for ten years. Factory input cost inflation accelerated to a new decade-high, often linked to supply shortages. Supplier delivery times lengthened to the greatest extent in the survey's 23-year history. However, service sector input cost inflation also picked up to hit a two-year high.

Higher costs were often passed on to customers. Average prices charged for goods and services rose at the fastest rate since January 2018, fueled by a record increase in goods prices. Prices charged for services rose only modestly by comparison, though showed the biggest increase since the start of the pandemic.

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:

“In a month during which virus containment measures were tightened in the face of further waves of infections, the eurozone economy showed encouraging strength.

“Although the service sector continued to be hard hit by lockdown measures, it has returned to growth as companies adjust to life with the virus and prepare for better times ahead.

“The manufacturing sector is meanwhile booming. Pent-up spending, restocking, investment in new machinery and growing optimism about the outlook have all helped fuel a further record surge in both output and new orders.

“The steep rise in demand for raw materials is continuing to lead to unprecedented supply chain delays, which are in turn driving up firms’ costs at the fastest rate for a decade. Consumer price inflation may well rise sharply in coming months as a result, though the extent of the rise will be dependent on the strength of demand and the

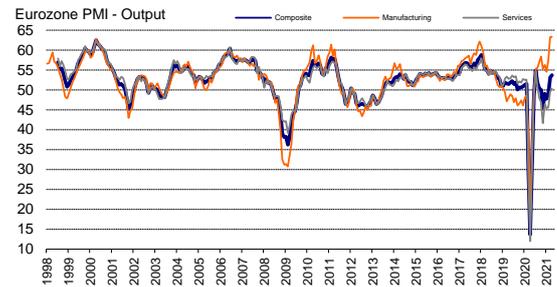
supply situation, both of which remain highly uncertain at the moment.”

-Ends-

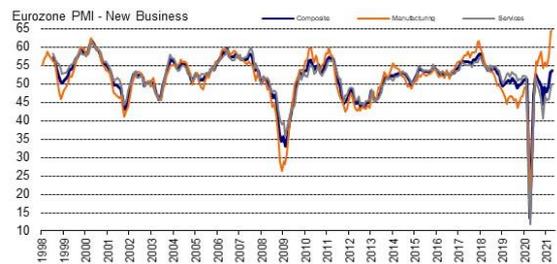
Summary of April data

Output	Composite	Sharpest increase in activity since July last year.
	Services	Activity up for first time in eight months.
	Manufacturing	Output growth at fresh record high.
New Orders	Composite	Solid expansion of new business.
	Services	Near-stabilisation in new orders.
	Manufacturing	New orders increase at fastest pace in survey's history.
Backlogs of Work	Composite	Backlogs accumulated to greatest extent in 39 months.
	Services	First increase in outstanding business for 14 months.
	Manufacturing	Backlogs of work up at considerable pace.
Employment	Composite	Fastest rise in employment since November 2018.
	Services	Modest increase in staffing levels.
	Manufacturing	Sharpest job creation since February 2018.
Input Prices	Composite	Input prices increase at steepest pace in a decade.
	Services	Cost inflation at two-year high.
	Manufacturing	Steepest rise in input costs since March 2011.
Output Prices	Composite	Sharp and accelerated rise in charges.
	Services	Second successive increase in output prices.
	Manufacturing	Record selling price inflation.
PMI⁽³⁾	Manufacturing	PMI at record high of 63.3.

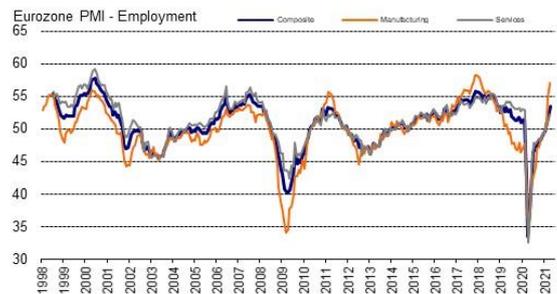
Output



New business



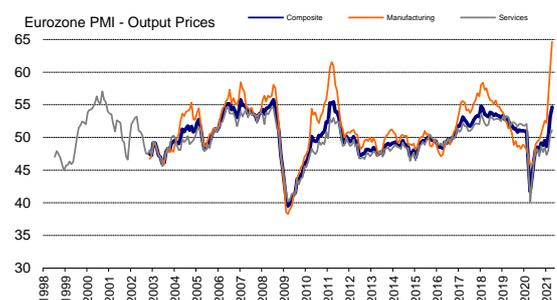
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final April data are published on 3 May for manufacturing and 5 May 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> ³	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

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