

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 24 March 2021

IHS Markit Flash Eurozone PMI[®]

Eurozone economy returns to growth for first time in six months

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 52.5 (48.8 in February). 8-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 48.8 (45.7 in February). 7-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 63.0 (57.6 in February). Record high (since June 1997).
- Flash Eurozone Manufacturing PMI⁽³⁾ at 62.4 (57.9 in February). Record high (since June 1997).

Data collected March 12-23

Eurozone business activity returned to growth in March, fueled by a survey record increase in manufacturing output as global demand continued to revive from the pandemic. The service sector was again hit by virus-related restrictions, though even here the decline was the weakest since last August. Hiring picked up as firms boosted capacity in line with fuller order books and optimism about the year ahead. Sentiment was tarnished, however, by concerns over rising virus infection rates.

March also saw firms' costs rise at the fastest rate for a decade, pushing prices charged for both goods and services higher during the month. Goods prices rose especially markedly, posting the largest rise for almost ten years, often linked to suppliers hiking prices amid record supply chain delays as shortages worsened.

The headline IHS Markit Eurozone Composite PMI[®] rose from 48.8 in February to 52.5 in March, according to the preliminary 'flash' reading. By rising above 50.0, the latest reading indicated the first increase in business activity since last September, with the current expansion the largest recorded since last July and the second-steepest seen over the past 28 months.

IHS Markit Eurozone PMI and GDP



Sources: IHS Markit, Eurostat.

Divergent trends were seen by sector. While manufacturing output growth accelerated sharply to the highest since data were first available in 1997, the service sector continued to be constrained by the coronavirus disease 2019 (COVID-19) pandemic, with social distancing restrictions leading to a seventh successive monthly fall in business activity.

The rate of contraction in the service sector nevertheless moderated to the slowest seen over this period, thanks to spill-over benefits from strong manufacturing growth, a modest easing of virus containment measures and encouraging prospects for the year ahead.

The manufacturing upturn was led by a record surge of factory production in Germany, accompanied by the fastest production growth since January 2018 in both France and the rest of the region as a whole.

Germany also outshone in terms of service sector performance, recording the first (albeit modest) expansion of activity for six months while France and the rest of the euro area merely saw rates of contraction moderate.

Looking at growth over both sectors combined, Germany's resulting upturn was the strongest for just over three years (the composite PMI rising from 51.1 to 56.8), contrasting with a decline in France for the seventh successive month (albeit with the index at 49.5, up from 47.0 in February). The rest of the region saw a modest return to growth for the first time since last July (composite index at 50.6 versus 48.2 in February).

Inflows of new business also returned to growth over the eurozone as a whole, increasing to the greatest extent since last July. Export orders rose especially sharply, rising at a pace rarely exceeded in the survey's history due largely to an unprecedented increase in manufacturing, in turn led by a record rise in Germany.

The upturn in order book inflows caused backlogs of work to rise for the first time in 28 months, growing especially sharply in Germany.

Companies responded to the accumulation of uncompleted orders with a second successive month of net hiring, with employment growing at the steepest pace since November 2019.

Manufacturers saw headcounts rise at a rate not seen since August 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.

France reported the highest rate of job creation, with jobs growth at the steepest since October 2018, while Germany reported the largest payroll gain since June 2019. Job losses meanwhile eased in the rest of the region to the lowest since the pandemic started.

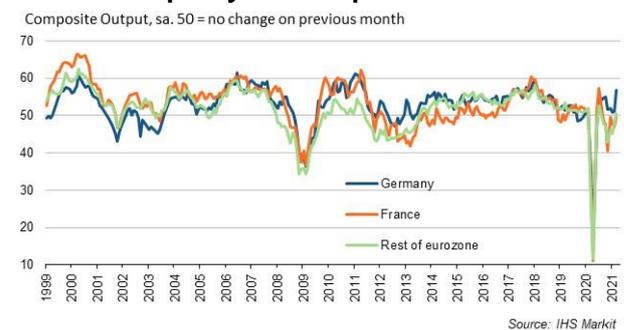
Job creation was also supported by business expectations for the year ahead remaining elevated, although optimism waned slightly from February's three-year high due in part to concerns over a third wave of virus infections.

The return to growth was accompanied by a further increase in price pressures. Average prices charged for goods and services rose to a degree not seen since January 2019, with goods prices rising particularly steeply, posting the largest gain for almost a decade. Prices rose far more modestly in the service sector, yet the increase was notable in being the first since the pandemic began.

Higher charges often reflected rising costs. Average input prices across both manufacturing and services rose in March at the sharpest rate for a decade. Factory input cost inflation struck the highest since March 2011, often linked to supply shortages. March saw supplier delivery times lengthen to the greatest extent in the survey's 23-year history. However, service sector input costs also grew sharply, rising at the fastest pace since February of last year. Higher costs were observed across the board, with Germany reporting the steepest increases.

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:

"The eurozone economy beat expectations in March, showing a much better than anticipated expansion thanks mainly to a record surge in manufacturing output."

“The service sector remains the economy’s weak spot, but even here the rate of decline moderated in March as companies benefited from the manufacturing sector’s upturn, customers adapted to life during a pandemic and prospects remained relatively upbeat.

“The outlook has deteriorated, however, amid rising COVID-19 infection rates and new lockdown measures. This two-speed nature of the economy will therefore likely persist for some time to come, as manufacturers benefit from a recovery in global demand but consumer-facing service companies remain constrained by social distancing restrictions.

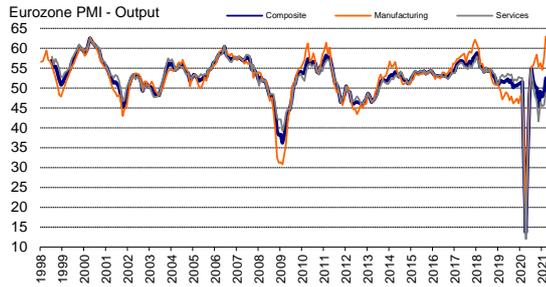
“The surge in demand for manufactured goods is meanwhile stretching supply chains to an unprecedented extent, in turn pushing costs up at the fastest rate for a decade. These cost pressures will likely feed through to higher consumer price inflation in coming months.”

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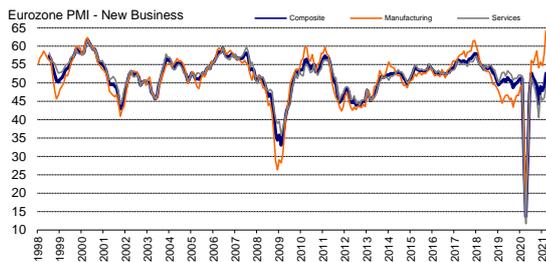
Summary of March data

Output	Composite	Output rises for first time in six months.
	Services	Softest reduction in activity for seven months.
	Manufacturing	Record rise in manufacturing production.
New Orders	Composite	New business returns to growth.
	Services	Modest decline in new work.
	Manufacturing	Surge in new order growth.
Backlogs of Work	Composite	First rise in backlogs since November 2018.
	Services	Slowest depletion of outstanding business in just over a year.
	Manufacturing	Substantial rise in backlogs of work.
Employment	Composite	Sharper increase in staffing levels.
	Services	Employment rises for second month running.
	Manufacturing	Job creation at 31-month high.
Input Prices	Composite	Cost inflation close to decade-high.
	Services	Marked rise in input costs.
	Manufacturing	Fastest increase in input prices for ten years.
Output Prices	Composite	Solid rise in selling prices.
	Services	Charges increase for first time in 13 months.
	Manufacturing	Output price inflation sharpest since April 2011.
PMI⁽³⁾	Manufacturing	PMI at record high of 62.4.

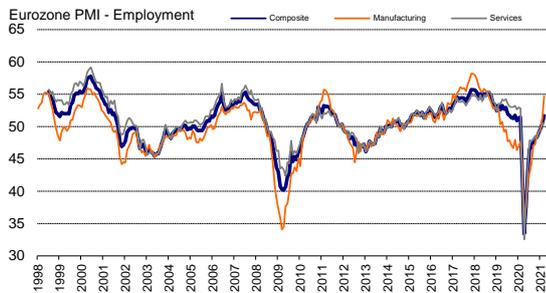
Output



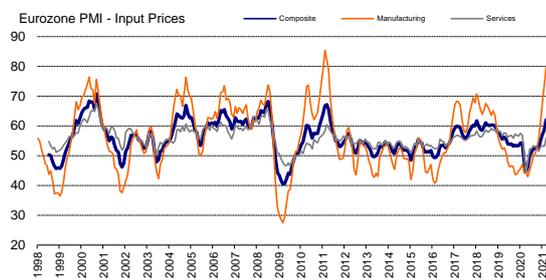
New business



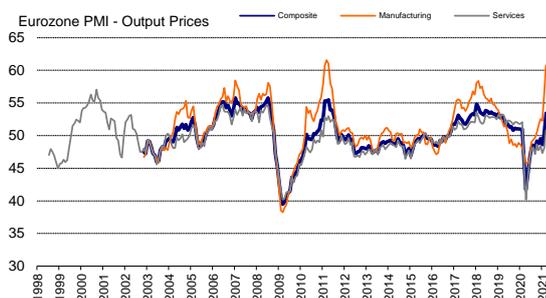
Employment



Input prices



Output prices



Source: IHS Markit.

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Note to Editors:

Final March data are published on 1 April for manufacturing and 7 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	0.3
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

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>.

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