

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) March 22 2018**

## IHS Markit Flash Eurozone PMI®

### Eurozone expansion slows to weakest since start of 2017

#### Key findings:

- Flash Eurozone PMI Composite Output Index<sup>(1)</sup> at 55.3 (57.1 in February). 14-month low.
- Flash Eurozone Services PMI Activity Index<sup>(2)</sup> at 55.0 (56.2 in February). 5-month low.
- Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 56.1 (59.6 in February). 14-month low.
- Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 56.6 (58.6 in February). 8-month low.

Data collected March 12-21

Eurozone business activity grew at its slowest rate for over a year in March, according to the flash IHS Markit Eurozone PMI. At 55.3, down from 57.1 in February, the headline output index was the lowest since January of last year and signalled a second successive monthly easing in the rate of expansion. January's PMI had been the highest since June 2006.

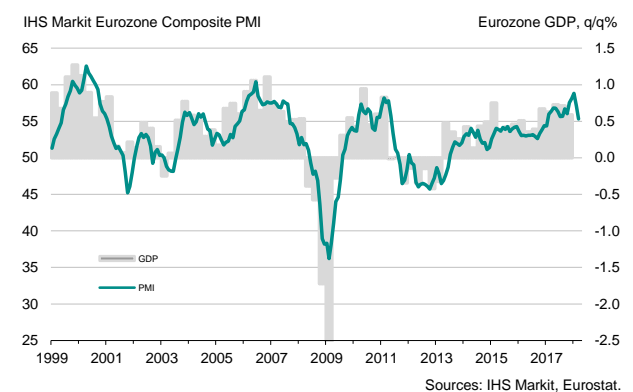
The flash data are an early calculation of survey data based on approximately 85% of normal replies received each month.

Output growth moderated in both manufacturing and services, the latter seeing business activity grow at the slowest rate for five months while factory output increased at the weakest pace since January 2017.

Both sectors also saw new order inflows wane, with goods export orders showing the smallest rise since November 2016. Measured overall, inflows of new orders showed the smallest monthly increase seen over the past 14 months.

Employment growth also slowed slightly to a six-month low in March, but the survey nevertheless still registered one of the largest monthly rises seen over the past 17 years.

#### IHS Markit Eurozone PMI and GDP



Firms commonly reported the need to boost staffing levels to raise capacity in line with current and future expected demand.

Strong job gains were again reported in both manufacturing and services, though rates of job creation eased to seven- and six-month lows respectively.

Despite the rise in employment, the survey data also brought further evidence of business growth being hindered by capacity constraints. Backlogs of work rose to a greater extent than February, albeit increasing at a slower pace than seen at the turn of the year, while manufacturing vendor delivery times again lengthened to one of the largest extents over the past 18 years, reflecting widespread supply chain delays amid strong demand for inputs.

Sharply rising input costs meanwhile again led to a historically marked rise in average selling prices for goods and services. Although rates of inflation cooled for a second month in a row, both costs and selling prices continued to rise at some of the fastest rates seen over the past seven years. Higher input costs were linked to rising raw material prices as well as increased wages and salaries.

Finally, expectations of future output growth remained elevated though slipped to a four-month low, down to a three-month low in services and hitting a 15-month nadir in manufacturing.

By country, output growth slowed to a seven-month low in France and an eight-month low in Germany, while the rest of the single currency area as a whole registered the weakest increase for five months.

### Comment

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

*“While the first quarter average PMI reading remains relatively robust, indicative of GDP rising by 0.7-0.8%, the loss of momentum since the buoyant start to the year has been quite dramatic.*

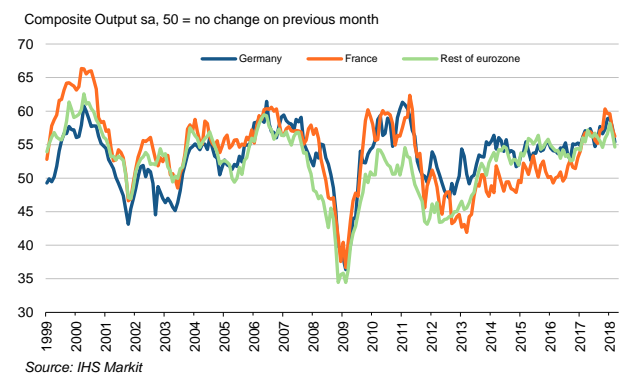
*“At least some of the slowing may be ascribed to bad weather in some northern regions and, perhaps more importantly, ‘growing pains’ resulting from the strength of the recent growth spurt. Supply chain delays and raw material shortages were often reported to have stymied production in manufacturing (delays in German supply chains are currently more widespread than at any time in the survey’s 22-year history), and both manufacturing and services sectors also saw activity being curtailed by growing incidences of skill shortages. Backlogs of work continue to rise as a result of these growth constraints.*

*“However, other factors are clearly at play. The fact that export order book growth has more than halved since the end of last year suggests the stronger euro is taking an increasing toll on export performance. Survey responses also highlighted how political uncertainty also appears to have intensified, dampening demand.*

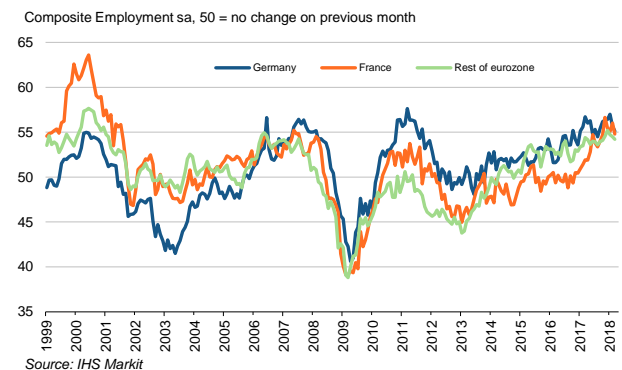
*“The data therefore suggest that eurozone growth peaked around the turn of the year and the region is settling into a slower, but still robust pace of expansion. Price pressures have meanwhile also eased slightly, in part linked to cheaper imports arising from the euro’s recent strength, but remain elevated.”*

-Ends-

### Core v. Periphery PMI Output Indices



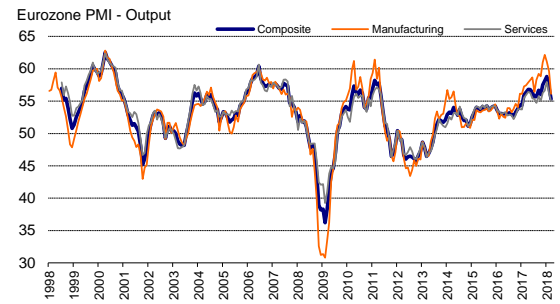
### Core v. Periphery PMI Employment Indices



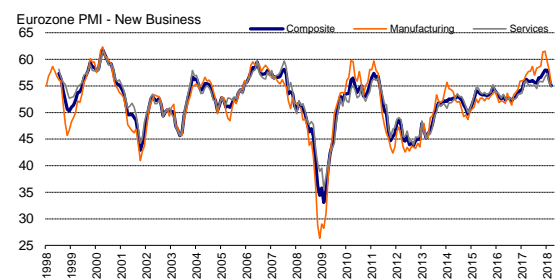
Summary of March data

<b>Output</b>	<b>Composite</b>	<b>Output growth eases to 14-month low.</b>
	Services	Marked, but weaker, rise in services activity.
	Manufacturing	Weakest increase in goods production since January 2017.
<b>New Orders</b>	<b>Composite</b>	<b>Expansion in new orders eases for third month running.</b>
	Services	New business growth at seven-month low.
	Manufacturing	Slowest increase in new orders in 16 months.
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Faster accumulation of backlogs.</b>
	Services	Rate of increase in services outstanding business at four-month high.
	Manufacturing	Manufacturing backlogs rise at weaker pace.
<b>Employment</b>	<b>Composite</b>	<b>Job creation at six-month low.</b>
	Services	Solid, but slower, increase in employment.
	Manufacturing	Staffing levels continue to rise sharply.
<b>Input Prices</b>	<b>Composite</b>	<b>Cost inflation eases for second month running.</b>
	Services	Weakest rise in input prices in six months.
	Manufacturing	Slowest increase in cost burdens since last September.
<b>Output Prices</b>	<b>Composite</b>	<b>Weakest rise in charges in year-to-date.</b>
	Services	Services output prices increase modestly.
	Manufacturing	Further strong manufacturing output charge inflation recorded.
<b>PMI<sup>(3)</sup></b>	Manufacturing	PMI at eight-month low of 56.6.

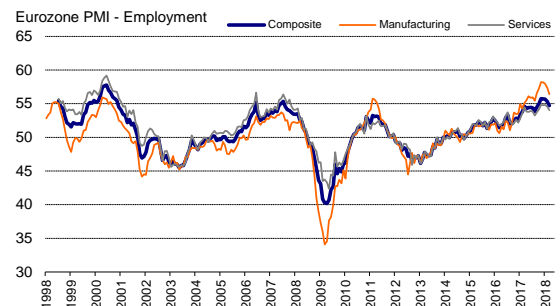
Output



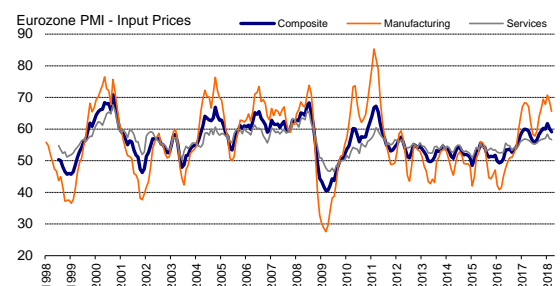
New business



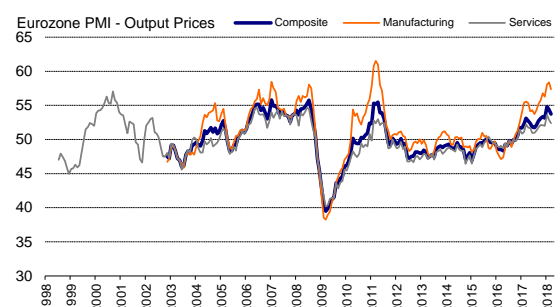
Employment



Input prices



Output prices



Source: IHS Markit.

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### Note to Editors:

Final March data are published on April 3 for manufacturing and April 5 for services and composite indicators.

The Eurozone *PMI<sup>®</sup>* (*Purchasing Managers' Index<sup>®</sup>*) 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 <sup>1</sup>	0.0	0.2
Eurozone Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.2
Eurozone Services Business Activity Index <sup>2</sup>	0.0	0.3

The *Purchasing Managers' Index<sup>®</sup>* (*PMI<sup>®</sup>*) 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<sup>®</sup>* 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](mailto: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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