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

Eurozone records modest improvement in growth

Key findings:
- Final Eurozone Composite Output Index: 51.9 (Flash: 51.4, January Final: 51.0)
- Final Eurozone Services Business Activity Index: 52.8 (Flash: 52.3, January Final: 51.2)

Data collected February 12-25

February’s IHS Markit Eurozone PMI® Composite Output Index indicated firmer growth of the eurozone’s private sector economy when compared to January. The seasonally adjusted index strengthened to 51.9, up from 51.0 and a three-month high. Moreover, the index improved on the earlier February flash reading of 51.4.

Underlying trends in activity generally strengthened across the region during February with the exception of Spain, where growth softened slightly compared to January. Disparate trends also persisted, with Ireland expanding markedly compared to continued contraction in Italy. France saw a return to marginal growth, whilst output in Germany rose at a solid and strengthened rate.

There remained a notable divergence between the performances of the manufacturing and service sectors during February.

On the one hand, ongoing trade tensions, weakness in the automotive industry and political uncertainties continued to weigh on demand for manufactured goods. Manufacturing new orders deteriorated to the greatest degree in nearly six years during February, placing downward pressure on output which fell slightly for the first time in nearly six years.

In contrast, service providers registered modest but nonetheless improved growth in activity when compared to January.

The trend in services new work was also favorable, with the sector registering a firmer rise in sales. Growth merely offset the decline in manufacturing orders, however, to leave overall private sector new work unmoved on the month.

In spite of the underwhelming trend in new business, private sector companies in the euro area again chose to take on additional workers. Growth remained solid, improving on January and extending the current period of expansion to well over four years. Germany, Ireland and Spain all continued to record robust gains in employment, compared to a relatively modest gain in France and marginal growth in Italy.

With capacity levels continuing to expand, private sector companies were again able to comfortably
keep on top of their workloads. Backlogs of work were stable during February.

Despite evidence of rising wage pressures, especially in Germany, Ireland and Spain, overall cost pressures continued to weaken. Thanks to noticeably slower inflation in manufacturing, overall input costs rose to the weakest degree for a year-and-a-half. A similar trend emerged for output charges, which increased in February at the slowest pace since September 2017.

Finally, business confidence improved during February to a five-month high, though nonetheless remained amongst the weakest recorded for the past four years. Political and economic uncertainties continue to weigh on sentiment.

Services

The IHS Markit Eurozone PMI® Services Business Activity Index remained above the crucial 50.0 no-change mark in February, rising to 52.8, from 51.2 in January and a three-month high.

All countries recorded growth in activity, albeit to varying degrees. Whilst France and Italy registered marginal gains, activity levels in Germany, Ireland and Spain all rose to robust degrees.

There was an improvement in overall new business growth and, despite being modest, the increase in sales was sufficiently strong to place pressure on capacity. Backlogs of work increased during February following January's decline, with Germany and Ireland recording the most acute increases in outstanding business.

These two nations also recorded the strongest employment gains during the latest survey period. Overall, private service sector jobs in the euro area rose at a marked and accelerated rate during February.

With demand for workers continuing to increase, there were many reports of higher salaries being paid. This helped to explain another sharp increase in overall service sector operating costs. Where possible, firms sought to protect margins via a solid increase in output charges.

Finally, business confidence improved in February to its highest level in four months, though remained below its trend level.

Comment

Chris Williamson, Chief Business Economist at IHS Markit said:

“The final PMI for February indicated a slightly improved performance compared to the flash estimate, lifted higher than January in part due to the further easing of one-off dampening factors such as the yellow vest protests in France and new auto sector emissions rules. However, the survey remained subdued as other headwinds continued to increasingly constrain business activity. These include slowing global economic growth, rising geopolitical concerns, trade wars, Brexit and tightening financial conditions.

“Measured overall, the survey shows the quarterly rate of GDP growth picking up to 0.2% in February from 0.1% in January, meaning the first quarter could see the eurozone economy struggle to beat the 0.2% expansion seen in the fourth quarter of last year.

“Manufacturing remains especially fragile, with an increased rate of decline of new orders and signs of excess capacity relative to sales boding ill for future production.

“While the service sector is showing greater resilience, inflows of new business remained worryingly weak, providing little hope for any noticeable improvement in performance in the coming months.

“Price pressures have meanwhile cooled to the lowest for a year-and-a-half amid a stagnation of demand, thereby adding to the suggestion that policymaking will turn increasingly dovish.”

-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

Germany

Italy

Spain

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

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

Source: IHS Markit, FSO. 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, 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 February composite flash was based on 86% of the replies used in the final data. The February services flash was based on 78% of the replies used in the final data. Data were collected 12-25 February.

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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