

## MARKET SENSITIVE INFORMATION

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# S&P Global Eurozone Manufacturing PMI®

## PMI slides to 14-month low in March amid rising inflation and geopolitical tensions

### Key findings:

Final Eurozone Manufacturing PMI at 56.5 (Feb: 58.2). 14-month low.

Final Eurozone Manufacturing Output Index at 53.1 (Feb: 55.5). 21-month low.

Data were collected 11-24 March

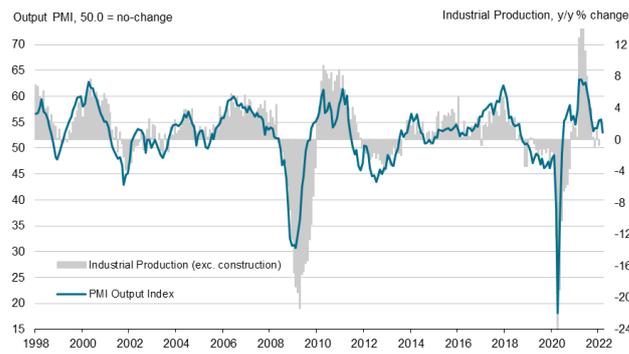
### Countries ranked by Manufacturing PMI: March

Ireland	59.4	2-month high
Austria	59.3	2-month high
Netherlands	58.4	15-month low
Germany	56.9 (flash: 57.6)	18-month low
Italy	55.8	14-month low
France	54.7 (flash: 54.8)	5-month low
Greece	54.6	11-month low
Spain	54.2	13-month low

### S&P Global Eurozone Manufacturing PMI



Source: S&P Global.



Source: S&P Global, Eurostat.

The Eurozone manufacturing sector registered a further slowdown in growth at the end of the first quarter, with the headline PMI slumping to a 14-month low. A rise in geopolitical tensions was mentioned as a factor weighing on demand, and had a noticeable impact on business confidence, which fell to its weakest level since May 2020. The weaker upturn was accompanied by an intensification of supply chain pressures over the month as rising COVID-19 infections in China and Russia's invasion of Ukraine reportedly led to longer lead times.

Meanwhile, amid surging commodity, fuel and energy costs, input price inflation re-accelerated in March and hit a four-month high. To offset margin pressures, eurozone manufacturers raised their charges to the greatest extent in the series history.

The S&P Global Eurozone Manufacturing PMI® fell to 56.5 in March, from 58.2 in February, and signalled the slowest improvement in operating conditions faced by goods producers since the beginning of 2021.

Notwithstanding a greater lengthening in average lead times (the Suppliers Delivery Times Index is inverted in the calculation of the headline PMI), the slowdown would have been much steeper as the remaining four sub-components all declined over the month.

By nation, Ireland registered the strongest improvement in manufacturing operating conditions during March, marginally outpacing the expansion seen in Austria. Aside from these two, rates of expansion slowed in all of the remaining monitored eurozone constituents.

Manufacturing output across the eurozone continued to increase in March, in line with the trend observed since July 2020. However, the rate of growth was the slowest seen over the current expansion period as firms struggled to obtain raw materials and other necessary components. COVID-related staff absences, Russia's invasion of Ukraine, and sluggishness within the automotive industry were also reported as drags on growth.

New orders increased solidly at the end of the first quarter, although growth momentum eased notably as rising

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geopolitical tensions led to increased hesitancy among clients. Export demand declined during March for the first time since June 2020, reflecting lower new orders from customers in overseas markets. According to anecdotal evidence, intra-European trade was particularly impacted by the war in Ukraine.

Latest survey data also pointed to a significant reduction in business confidence during March. Although manufacturers were optimistic on average, the Future Output Index fell by its largest margin since the onset of the pandemic just over two years ago and was at its weakest since May 2020.

Supplier delivery times continued to lengthen at a substantial rate at the end of the first quarter. In fact, vendor performance deteriorated to the greatest extent since December and ended a four-month sequence of easing supply chain pressures. According to panellists, rising COVID-19 cases in China and the war in Ukraine exacerbated ongoing bottlenecks.

Consequently, cost pressures intensified during March as supply issues were compounded by rising commodity, fuel and energy prices. Overall, the rate of increase in input costs quickened and was among the fastest seen in the survey history. To protect profit margins, eurozone manufacturers raised their charges at a record pace.

Meanwhile, purchasing activity rose at the slowest rate in 14 months during March, although the increase was sufficiently strong to support stockpiling efforts, as latest survey data signalled a further, albeit slower, increase in pre-production inventories.

Lastly, manufacturing employment was expanded once again in March. The rate of jobs growth was stronger than the series average, but the weakest since February 2021. Despite continued hiring activity, capacity pressures remained evident as backlogs of work rose for a twentieth successive month. Panellists commonly linked the increase in outstanding business to input shortages.

Commenting on the final Manufacturing PMI data, **Chris Williamson**, Chief Business Economist at S&P Global said:

*"Just as the fading of the latest pandemic wave was creating a tailwind for the eurozone manufacturing recovery, with economies re-opening and supply chain bottlenecks easing, the war in Ukraine has created an ominous new headwind.*

*"While the boost to demand from the further relaxation of COVID-19 containment measures helped ensure a sustained expansion of manufacturing order books and output in March, rates of growth have cooled markedly amid sanctions, soaring energy costs and new supply constraints linked to the war. Heightened risk aversion among both manufacturers and their customers due to the uncertainty caused by the invasion, combined with an intensifying cost of living crisis, meanwhile threatens to pull growth even lower in the coming months, as reflected in the slumping of manufacturers' growth expectations for the coming year.*

*"Business optimism in the goods producing sector has collapsed to a level indicative of manufacturing output declining in the second quarter and adding to the risk of the manufacturing sector sliding into a new recession."*

-Ends-

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## Note to Editors

The Eurozone Manufacturing PMI® (Purchasing Managers' Index®) is produced by S&P Global and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 89% of eurozone manufacturing activity.

The final Eurozone Manufacturing PMI follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total PMI survey responses each month. The March 2022 flash was based on 91% 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):

Index	Average difference	Average difference in absolute terms
Eurozone Manufacturing PMI	0.0	0.1

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.

S&P Global 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 S&P Global. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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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