News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash Eurozone PMI®

Eurozone growth accelerates to nine-month high in February

Key findings:

Flash Eurozone PMI Composite Output Index(1) at 52.3 (Jan: 50.3). 9-month high.

Flash Eurozone Services PMI Activity Index(2) at 53.0 (Jan: 50.8). 8-month high.

Flash Eurozone Manufacturing Output Index(4) at 50.4 (Jan: 48.9). 9-month high.

Flash Eurozone Manufacturing PMI(3) at 48.5 (Jan: 48.8). 2-month low.

Data were collected 10-17 February

Eurozone business activity growth accelerated to a nine-month high in February, reflecting an improved performance of the service sector and a return to growth of manufacturing output. Rising demand, healing supply chains, order book backlog reduction and improved confidence underpinned the upturn. The data are consistent with the economy expanding in the first quarter so far, with employment also continuing to rise.

Input cost inflation meanwhile cooled further, notably in the manufacturing sector. While rates of selling price inflation remained stubbornly high, especially in the service sector, in part linked to the impact of higher wage costs, the overall rate of selling price inflation also slowed, down to a 16-month low, in a further sign of moderating price pressures.

S&P Global Flash Eurozone PMI Composite Output Index

Sources: S&P Global, Eurostat.

The seasonally adjusted **S&P Global 'flash' Eurozone PMI® Composite Output Index,** based on approximately 85% of usual survey responses, rose for a fourth successive month in February, climbing to 52.3 from 50.3 in January to indicate the strongest expansion of business activity since last May.

February's upturn was led by the service sector, where business activity rose for a second consecutive month, the index up from 50.8 to 53.0 to register the strongest expansion since last June. Manufacturers meanwhile eked out a modest gain in production, the factory output index up from 48.9 to 50.4 to signal the first increase in production since last May.

A key change in the services sector was the revival of growth in financial services activity, albeit with real estate remaining in decline, as well as resurgent tourism & recreation and media activity. Transportation broadly stabilised after seven months of decline, industrial services gained momentum and IT services enjoyed a surge in activity.

On the manufacturing side, chemical & plastics and basic resources remained the main areas of weakness while food & drink, household goods and industrial goods manufacturing showed further signs of recovery. Auto making likewise continued to pull out of the slump seen last year.

Within the euro area, both **France** and **Germany** returned to growth for the first times since last October and last June respectively. The composite PMI for France rose from 49.1 to 51.6, albeit with growth confined to the service sector. The composite PMI for Germany meanwhile edged up from 49.9 to 51.1 reflecting a second successive monthly rise in service sector activity and the first expansion of manufacturing output since last May.

However, it was the **rest of the eurozone** as a whole that reported the strongest performance, the composite index up from 51.4 to a nine-month high of 53.9 thanks to broad-based growth of manufacturing and services.

The acceleration of growth of output across the eurozone as a whole was fueled by the first, yet modest, rise in new orders since last May, which was in turn driven by the steepest increase in demand for services for nine months and the shallowest – though still marked – drop in new orders for goods over the same period.

PMI® by S&P Global

The increase in output was also supported by firms once again eating into their backlogs of orders, notably in the manufacturing sector. The latest overall decline in backlogs was the smallest seen for six months, however, the shallower rate of decline in part reflecting the recent improvement in new business inflows.

In manufacturing, the renewed growth of output was also often linked to improved supply chains, with average supplier delivery times shortening for the first time since January 2020, and to the greatest degree since May 2009. An especially marked improvement in supplier performance was recorded in Germany, where a survey record shortening of lead times was reported.

Improved supplier performance was commonly linked to fewer supply chain shortages which, in addition to facilitating higher output, helped take pressure off industrial input prices, which rose only modestly in February and at the slowest rate since September 2020. Softer manufacturing cost inflation also often reflected weak demand for inputs, with purchasing by factories dropping sharply again in February as firms remained focused on inventory reduction.

In contrast, service sector firms reported a further steep rise in average input costs, the rate of inflation of which edged higher in February to remain among the steepest recorded over the history of the survey, albeit down from last year's peaks.

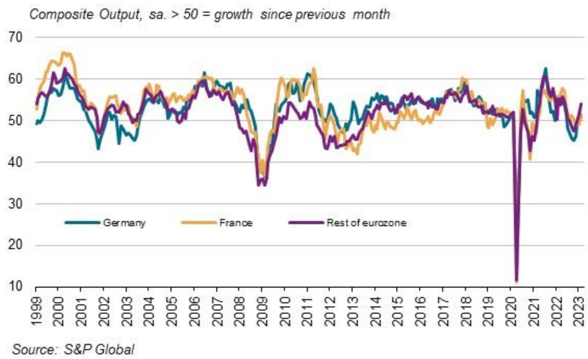
Average prices charged for goods and services meanwhile continued to rise sharply, increasing at solid rates in both manufacturing and services as firms sought to pass higher costs on to customers, including in many cases greater staff costs. However, in both cases the rate of increase moderated compared to January – with manufacturing output price inflation notably down to a two-year low – to register the softest overall increase in prices charged for goods and services since October 2021.

While the return to growth of new orders also encouraged further hiring, with employment rising across both manufacturing and services in February, the rate of job creation edged down from January's three-month high and continued to run well below rates seen this time last year. Slower jobs growth in part reflected labour supply shortages but was also often linked to uncertainty about the outlook.

Optimism about the year ahead nudged higher in February, rising to a one-year high, though was merely in line with the survey's long-run average. Future sentiment has nevertheless improved considerably in both manufacturing and services since late last year, attributed by survey respondents to fewer concerns over the possibility of a deep recession, reduced worries around energy supply and prices, as well as signs of a peaking of inflation and improved customer enquiries.

S&P Global Flash Eurozone Manufacturing PMI

Core v. Periphery PMI Output Indices



Commenting on the flash PMI data, **Chris Williamson**, Chief Business Economist at S&P Global Market Intelligence said:

"Business activity across the eurozone grew much faster than expected in February, with growth hitting a nine-month high thanks to resurgent service sector activity and a recovering manufacturing economy. February's PMI is broadly consistent with GDP rising at a quarterly rate of just under 0.3%.

"Growth has been buoyed by rising confidence as recession fears fade and inflation shows signs of peaking, though manufacturing has also benefitted from a major improvement in supplier performance.

"The pandemic-related delivery delays that dogged factories over the past two years have given way to faster delivery times, in turn meaning pricing power is shifting from suppliers to factory purchasing managers, bringing industrial price inflation down.

"However, although inflationary pressures have continued to moderate in February, the survey hints at persistent elevated price trends in the service sector, linked in part to higher wage growth, which will concern ECB policymakers.

"The combination of accelerating growth and stubbornly elevated price pressures will naturally encourage a bias towards further policy tightening in the months ahead."

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Note to Editors

Final February data are published on 1 March for manufacturing and 3 March for services and composite indicators.

The Eurozone PMI® (Purchasing Managers' Index®) is produced by S&P Global 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
Composite Output Index[1]	0.0	0.3
Manufacturing *PMI*[3]	0.0	0.2
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.

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.

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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