

MARKET SENSITIVE INFORMATION

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S&P Global Eurozone Composite PMI®

Eurozone economy expands at strongest pace since May 2022

Key findings:

Final Eurozone Composite Output Index at 53.7 (Feb: 52.0). 10-month high.

Final Eurozone Services Business Activity Index at 55.0 (Feb: 52.7). 10-month high.

Data were collected 10-28 March

The eurozone economy rounded off the first quarter with a third consecutive monthly expansion in private sector business activity, and one that was the strongest since May 2022, signalling a marked improvement from the final three months of last year. Manufacturing production picked up slightly, but it was the service sector that had the strongest influence on March's accelerated upturn.

Supporting higher activity was a recuperation in sales. Although new business from abroad fell again, total new order volumes rose modestly in March, indicating an improvement in domestic demand that was more than sufficient to offset weaker sales in external markets. Eurozone businesses also continued to hire additional workers, with the rate of job creation accelerating to an eight-month high.

Meanwhile, there was a softening of price pressures in March. This reflected an outsized downward drag from the manufacturing sector, however, where costs declined for the first time since July 2020. Output price inflation also slowed, down to a 22-month low.

The seasonally adjusted **S&P Global Eurozone Composite PMI Output Index** rose to its highest level since May 2022 at the end of the first quarter. At 53.7, this was up from 52.0 in February, and a third successive month above the critical 50.0 threshold that splits growth from contraction. Furthermore, this marked a sustained increase in the headline index since it sank to a near two-year low in October last year when concerns surrounding the European energy crisis were particularly pronounced.

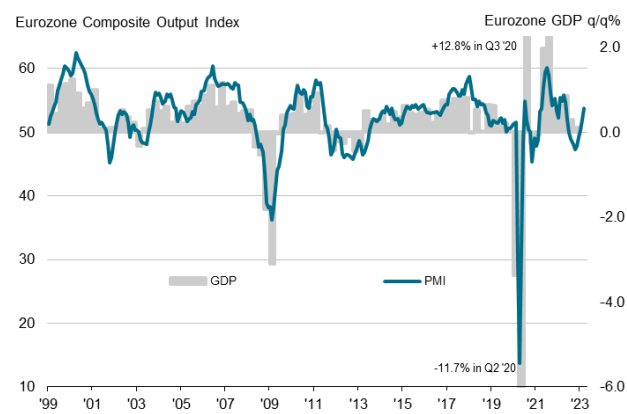
The service sector was by far the largest contributor to March's expansion, with growth here accelerating to a strong pace that outstripped its long-run average by a notable margin. Manufacturing output also grew, albeit only marginally.

Countries ranked by Composite PMI Output Index: March

Spain	58.2	16-month high
Italy	55.2	16-month high
Ireland	52.8	2-month low
France	52.7 (flash: 54.0)	10-month high
Germany	52.6 (flash 52.6)	10-month high

Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.

S&P Global Eurozone Composite PMI Output Index



Source: S&P Global, Eurostat.

All of the eurozone nations covered by the PMI survey (which combined, account for around 78% of private sector output across the area) recorded greater activity levels when compared to February. Spain was by far the top-performing country in March, with output here rising sharply and at the quickest pace in nearly a year-and-a-half. Italy also registered a robust expansion that was the quickest in 16 months. The eurozone's two largest economies, Germany and France, saw growth rates improve to ten-month highs, although they continued to lag behind the other monitored countries.

Stronger activity levels were encouraged by a further revival in demand, with the latest survey data signalling a second successive monthly increase in new business volumes. Although the expansion was modest, it was the fastest in ten months. That said, the upturn was curtailed by overseas customers, with new export sales* falling again and thereby extending the downward trend in external market demand seen since March 2022.

Eurozone companies continued to recruit extra workers in March, sustaining the current sequence of job creation that started just over two years ago. Moreover, the rate of

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employment growth was greater than the long-run average and the quickest for eight months. Despite stronger hiring activity, the recent run of backlog depletion also came to an end in March as no change in outstanding business volumes was recorded.

Meanwhile, eurozone businesses remained optimistic on the 12-month outlook, with confidence broadly level with its long-run average. However, there was a slight softening of sentiment, despite improved trends in activity and demand.

Finally, March survey data indicated a further easing of price pressures across the euro area. A considerable drag came from the manufacturing sector, where input costs fell for the first time since July 2020. By contrast, services firms saw operating expenses rise sharply once again amid reports of higher wage demands. Prices charged rose across both sectors, but to slower extents when compared to February. Subsequently, the rate of output price inflation eased to a 22-month low.

**includes intra-eurozone trade*

S&P Global Eurozone Services PMI®

The S&P Global Eurozone Services PMI Business Activity Index rose markedly to 55.0 in March. This was up from 52.7 in February and signalled a strong increase in output across services firms. The rate of growth was the fastest since May 2022.

March survey data pointed to a solid expansion in demand for eurozone services. Overall, new business volumes have risen for three successive months. The latest increase was stronger than the long-run average and the quickest for ten months.

Increased intakes of new work led to further pressure on service sector operating capacity in March, as evidenced by another monthly rise in backlogs. The rate of accumulation was the fastest since mid-2022. In turn, firms retained their preference for extra staff, with employment levels rising for a twenty-sixth month in a row. The rate of job creation accelerated to a nine-month high.

Rates of input cost and output price inflation, despite easing in March, remained stubbornly elevated. Indeed, price concerns were a factor dampening service sector business confidence in March, which continued to run below its historic average.

Commenting on the final Eurozone Composite PMI data, **Joe Hayes**, Senior Economist at S&P Global Market Intelligence said:

“The eurozone economy continues to bounce back from the lull we saw at the back-end of 2022 and the latest PMI survey will add fresh conviction to the view that, at least for now, the euro area is clear of a recession.

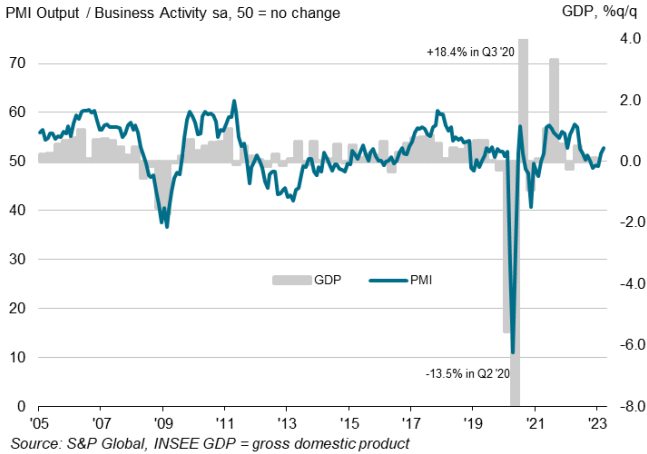
“March’s increase in economic activity mainly reflected strong growth across the service sector. Better momentum here is encouraging given the squeeze on household incomes from high inflation and rising borrowing costs. However, the picture is mixed at the country level, with a considerable upward push to growth coming from Spain and, to a lesser extent, Italy during March. It is difficult to envisage expansions of these magnitudes being sustained, meaning that a further strengthening of growth is dependent on other parts of the eurozone. Activity levels in Germany and France rose only modestly in March, painting a more conservative picture of underlying economic health in the eurozone.

“The case for further interest rate increases also remains strong based off the survey’s price gauges. Although inflation rates have cooled from their peaks, they continue to run in hot territory, particularly across the service sector.”

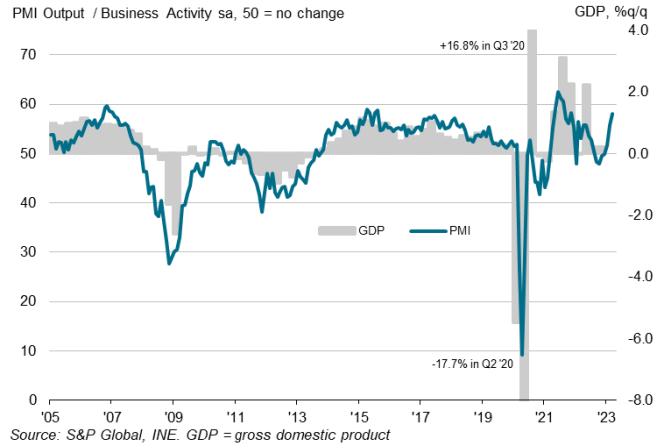
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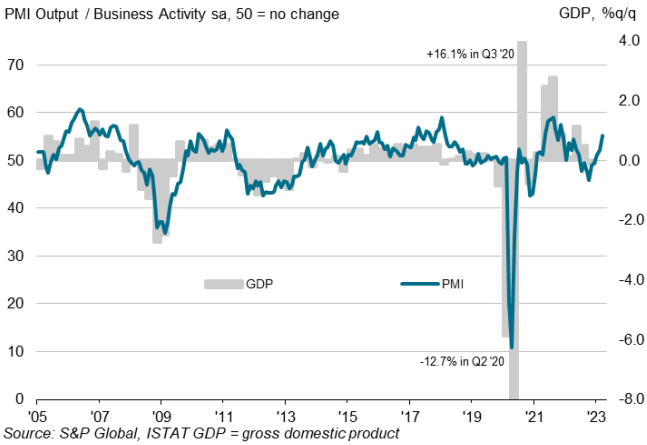
France



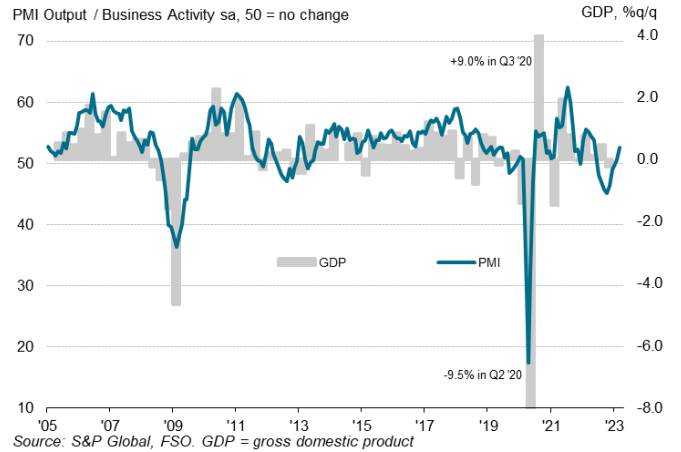
Spain



Italy



Germany



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Note to Editors

The Eurozone Composite 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 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, Italy, Spain and the Republic of Ireland.

The Eurozone Services PMI (Purchasing Managers' Index) is produced by S&P Global 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 March composite flash was based on 75% of the replies used in the final data. The March services flash was based on 72% 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 Composite Output PMI	0.0	0.3
Eurozone Services Business Activity PMI	0.0	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.

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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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