

MARKET SENSITIVE INFORMATION

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S&P Global Eurozone Composite PMI®

Eurozone growth remains strong in March amid record surge in inflation

Key findings:

Final Eurozone Composite Output Index at 54.9 (Feb: 55.5). 2-month low.

Final Eurozone Services Business Activity Index at 55.6 (Feb: 55.5). 4-month high.

Data were collected 11-28 March

The eurozone economy maintained a strong rate of growth in March, easing only slightly from February's five-month high as looser COVID-19 restrictions continued to accommodate rising levels of business activity. The main impetus to the expansion was provided by the service sector, where growth edged slightly higher, as manufacturing output rose at a softer pace. New orders also increased at a solid rate in March, although new business from export markets deteriorated as the war in Ukraine reportedly impacted cross-border trade.

Business confidence meanwhile took a significant hit, slumping to a 17-month low as rising geopolitical tensions and inflation weighed on the outlook. Amid surging energy, fuel and commodity prices, input cost inflation accelerated to a survey high in March. To combat margin pressures, prices charged for eurozone goods and services were raised to the quickest extent on record.

The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** posted 54.9 in March, a slight decline from 55.5 in February but still indicative of strong growth in business activity across the eurozone. The expansion was driven by the service sector, where output rose at a marginally faster pace than in February. Manufacturing production was also up over the month, although the expansion was the weakest seen over the current 21-month sequence of increases. According to panellists, the upturn was supported by a further loosening of COVID-19 containment measures, which led to higher activity levels at clients and boosted demand for goods and services.

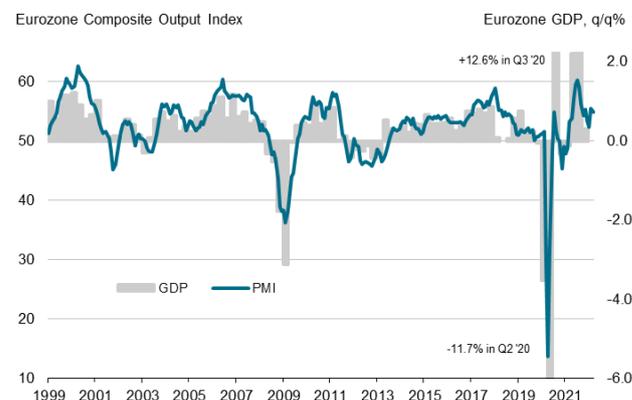
Ireland was the fastest-growing monitored eurozone constituent during March, with growth quickening to a five-month high. A faster expansion was also recorded in France, which was the second-best performer at the end of the first quarter. Of the remaining countries – Germany, Spain and Italy – business activity increased to softer extents than those seen in February.

Countries ranked by Composite PMI Output Index: March

Ireland	61.0	5-month high
France	56.3 (flash: 56.2)	8-month high
Germany	55.1 (flash: 54.6)	2-month low
Spain	53.1	2-month low
Italy	52.1	2-month low

* 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 Output Index



Source: S&P Global, Eurostat.

Higher levels of output were supported by accommodative demand conditions in March, with survey data signalling continued growth in new business. That said, overall inflows of new work increased at a weaker pace than previously. This was partly explained by new export orders, which fell for the first time since November 2020. However, the loss of momentum in total new business growth was particularly pronounced at manufacturers as the war in Ukraine, a renewed flare-up of supply chain issues and steep inflationary pressures weighed on demand for goods. The expansion in new business at services providers was more resilient, but still weakened nonetheless.

Latest survey data signalled a marked deterioration in business confidence during March, with future output expectations slumping to their weakest in 17 months. The level of optimism weakened by a significant margin across both sectors, with manufacturers seeing the steeper drop.

Nevertheless, despite an increased number of firms expecting greater headwinds to growth over the coming 12 months, employment levels continued to increase across the eurozone. Moreover, the rate of jobs growth accelerated slightly to a four-month high. The expansion in workforce numbers coincided with a further accumulation in

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outstanding business. Backlogs of work rose for a thirteenth successive month in March.

Prices data pointed to sustained increases in both input costs and output prices across the euro area in March, as firms sought to at least partly share the burden of rising operating expenses with their clients. In both cases, rates of inflation accelerated markedly to new survey records.

S&P Global Eurozone Services PMI®

The S&P Global Eurozone PMI Services Business Activity Index edged up fractionally to 55.6 in March, from 55.5 in February, signalling a strong rate of expansion in service sector output at the end of the first quarter. Overall, the rate of growth was the quickest in four months.

Latest survey data highlighting rising intakes of new business during March. The expansion in demand was solid overall, but slowed slightly since February. The weaker increase partly reflected a drop in new export business as demand from overseas clients fell for the third time in four months.

Nevertheless, employment growth accelerated in March to its strongest since last November. Despite the upturn in staffing numbers – which extended the current run of jobs growth to 14 months – the level of outstanding business continued to increase at a solid pace.

Prices data pointed to an intensification of inflationary pressures in March, with both input costs and output charges rising at rates which far surpassed their previous records seen in February.

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

"The further reopening of the eurozone economy amid the fading Omicron wave has provided a welcome tailwind to business activity in March, helping drive a further solid expansion from the slowdown seen at the start of the year.

"However, the resilience of the economy will be tested in the coming months by headwinds which include a further spike in energy costs and other commodity prices due to Russia's invasion of Ukraine, as well as worsening supply chain issues arising from the war and a marked deterioration in business optimism regarding prospects for the year ahead.

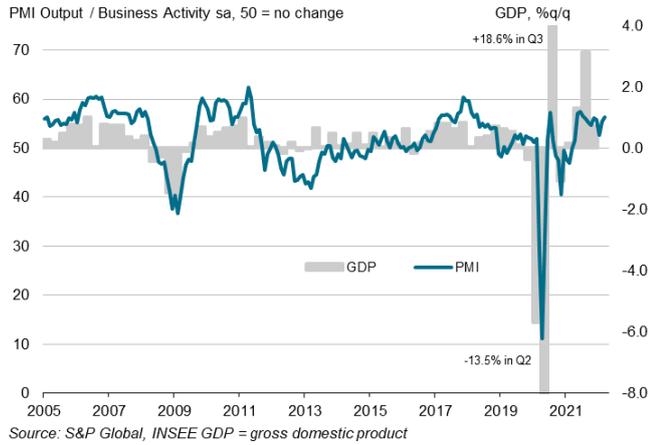
"Exports are already back in decline as the war has directly hit travel and transport, and the downturn in confidence suggests that domestic demand conditions across the eurozone could also come under pressure, notably from consumers via the soaring cost of living, at the same time as companies struggle with a lack of materials.

"The outlook for growth has therefore deteriorated at a time when the inflation outlook has worsened. A recession is by no means assured, as the extent to which the economy could suffer in the coming months will depend on the duration of the war and any changes to both fiscal and monetary policy. It certainly seems likely however that the solid expansion seen in March will prove hard to sustain and there is clearly a greater risk of the economy stalling or contracting during the second quarter."

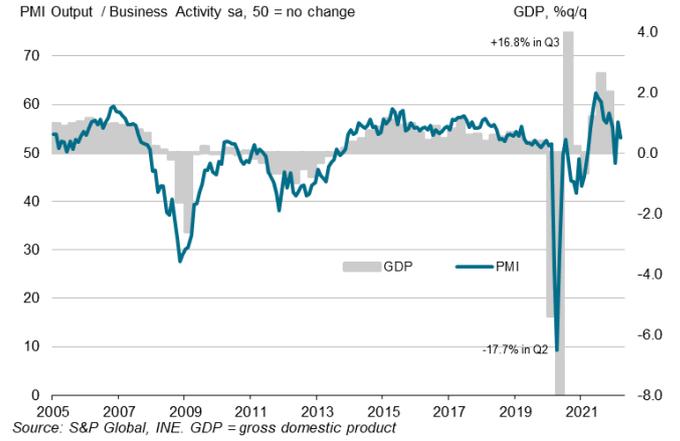
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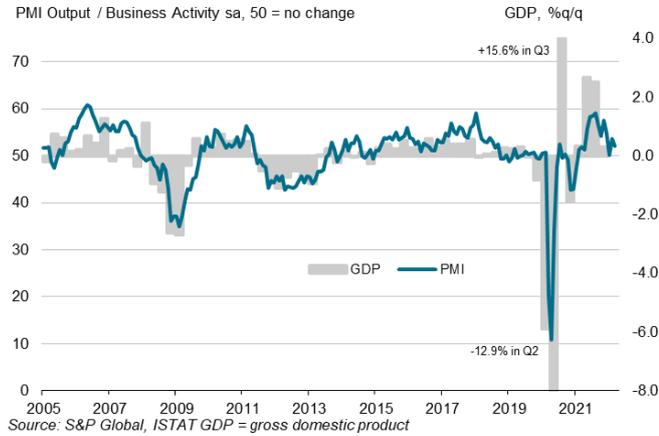
France



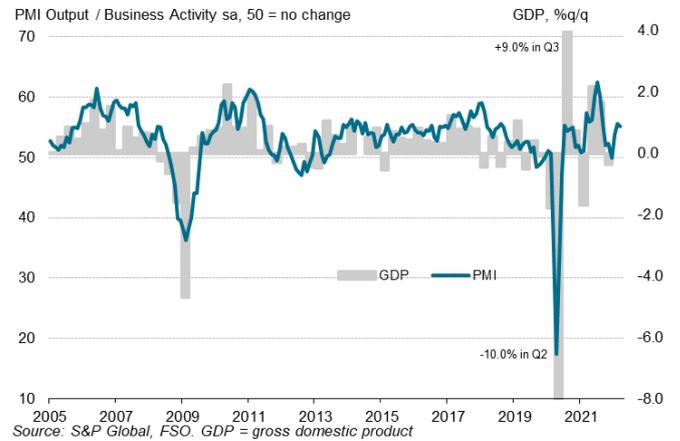
Spain



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 87% of the replies used in the final data. The March services flash was based on 80% 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	0.2
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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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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