

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Eurozone PMI[®]

Prices rise at record rate as eurozone growth rebounds in February

Key findings:

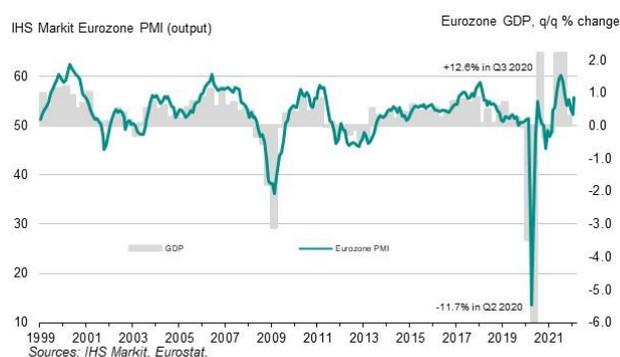
- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 55.8 (52.3 in January). 5-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 55.8 (51.1 in January). 3-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 55.6 (55.4 in January). 5-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 58.4 (58.7 in January). 2-month low.

Data collected February 10-17

Eurozone business activity growth accelerated sharply in February as COVID-19 containment measures were relaxed. Future expectations, new orders and jobs growth also improved. Growth picked up especially in the service sector, though manufacturers also reported improved production gains as a result of rising demand and fewer supply bottlenecks.

However, while an easing of supply delays helped to reduce raw material input cost inflation, persistent cost pressures caused by rising wages and energy bills led to the sharpest rise in average prices charged for goods and services in the PMI survey's history.

IHS Markit Eurozone PMI and GDP



The headline IHS Markit Eurozone Composite PMI[®] surged 3.5 points in February (its largest monthly gain since March of last year), up from 52.3 in January to 55.8, to signal a sharp acceleration of economic growth, according to the preliminary 'flash' estimate*. The latest reading indicates the fastest rate of output growth since last September.

The acceleration in growth follows two months of subdued expansions as the rise in COVID-19 infections associated with the Omicron variant prompted an increase in virus containment measures. February saw these restrictions ease to the lowest since November.

The greatest improvement was seen in the service sector. Having almost stalled in January amid the tightened virus-fighting measures, service sector activity growth rebounded in February to the fastest since last November. Looser restrictions enabled a particularly strong rise in consumer-facing activity and travel and tourism.

Manufacturing output growth also accelerated slightly, attaining the fastest expansion since last September, thanks in part to improved supply availability. The incidence of supplier delivery delays was the lowest since January of last year.

Demand also picked up during the month. Overall, new orders rose to the greatest extent since last August, with six-month highs seen in both manufacturing and services, linked to easing supply constraints and the opening up of the economy.

The upturn in demand led to a steep rise in backlogs of uncompleted work, which showed the largest increase for six months. Backlogs rose especially sharply in manufacturing, as the inflow of new orders exceeded the gain in production recorded during the month, though also rose at an increased rate in services.

The combination of rising demand, an easing of COVID-19 containment measures and fewer supply bottlenecks helped push future output expectations to the highest since last June, with improved optimism recorded in both manufacturing and services.

With optimism improving, firms took on more staff to deal with the rising workloads. Employment growth accelerated for a second month running to reach the highest since November, albeit constrained by staff shortages in many cases. Jobs growth in manufacturing nevertheless hit the highest since last July, while service sector job gains rose to a more modest three-month high.

The easing of supply constraints recorded during February also helped moderate manufacturers' input cost inflation. Although average prices paid for materials rose sharply again, the rate of increase was the slowest since March of last year. However, service sector input cost inflation accelerated to a record high reflecting rising wages and soaring energy costs. The resulting overall rate of input cost inflation seen across both sectors rose to the second-highest on record, surpassed over the past 24 years only by that seen last November.

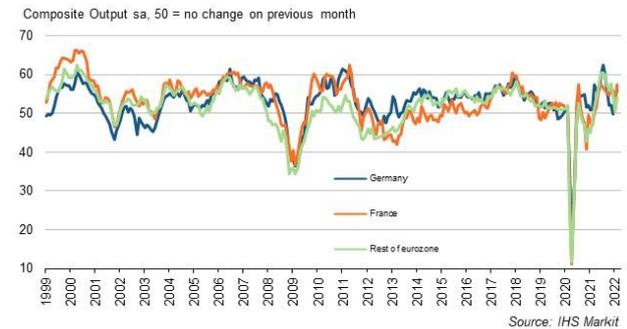
Average prices charged for goods and services rose at the sharpest rate yet recorded by the survey as firms increasingly sought to pass persistent higher cost inflation on to customers. A record high rate of inflation in the service sector was accompanied by a near-record rate in manufacturing.

By country, business activity rebounded most sharply in France, where growth reached the highest since last June, though growth in Germany also picked up to the fastest since last August, representing a further marked improvement after the mild contraction seen in December. The rest of the region as a whole continued to lag, but nonetheless reported a strong recovery after a near-stalling in January. Across the board improvements were seen in terms of service sector performance, though Germany bucked a broader acceleration in manufacturing growth, albeit still seeing output rise at a pace just below the eurozone average.

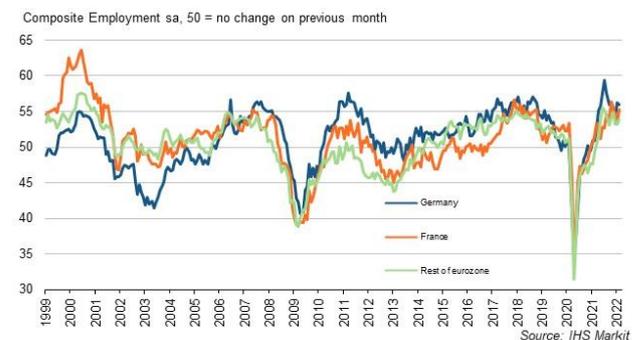
* The flash estimate is typically based on approximately 85% of the final number of replies received each month, covering all

countries included in the final PMI readings. However, only national data for France and Germany are published.

Core v. Periphery PMI Output Indices



Core v. Periphery PMI Employment Indices



Comment

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

“The eurozone economy regained momentum in February as an easing of virus-fighting restrictions led to renewed demand for many consumer services, such as travel, tourism and recreation, and helped alleviate supply bottlenecks. Business optimism in the outlook has likewise improved as companies look to the further reopening of the economy, encouraging increased hiring.

“However, although easing, supply constraints remain widespread and continue to cause rising backlogs of work. As such, demand has again outstripped supply, handing pricing power to producers and service providers. At the same time, soaring energy costs and rising wages have added to inflationary pressures, resulting in the largest rise in selling prices yet recorded in a quarter of a century of survey data history.

“The strength of the rebound in business activity signalled by the PMI provides welcome evidence

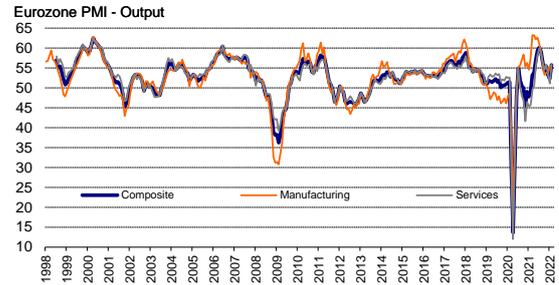
that the economy has so far shown encouraging resilience in the face of the Omicron wave, but the intensification of inflationary pressures will add to speculation of an increasing hawkish stance at the ECB.”

-Ends-

Summary of February data

Output	Composite	Fastest rise in activity since last September.
	Services	Rate of growth in activity accelerates sharply.
	Manufacturing	Production increases at slightly faster pace.
New Orders	Composite	New orders rise at quickest pace in six months.
	Services	Fastest increase in new business since last August.
	Manufacturing	Sharp and accelerated expansion of new orders.
Backlogs of Work	Composite	Quicker increase in backlogs.
	Services	Outstanding business rises at sharpest pace in six months.
	Manufacturing	Steepest accumulation since October 2021.
Employment	Composite	Jobs growth hits three-month high.
	Services	Faster rise in employment.
	Manufacturing	Rate of job creation sharpest in seven months.
Input Prices	Composite	Near-record rise in input costs.
	Services	Unprecedented increase in input prices.
	Manufacturing	Softest inflation in almost a year.
Output Prices	Composite	Sharpest rise in output prices in series history.
	Services	Charge inflation hits fresh record.
	Manufacturing	Further steep increase in selling prices.
PMI⁽³⁾	Manufacturing	PMI at two-month low of 58.4.

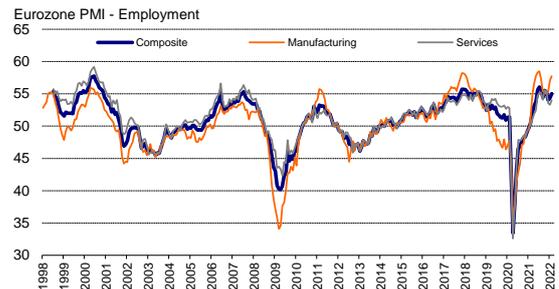
Output



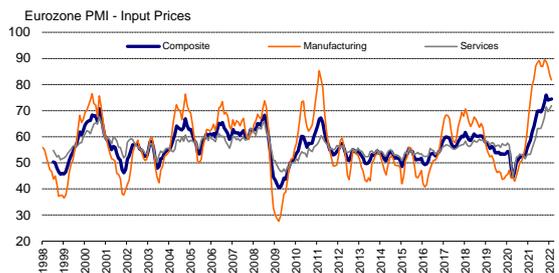
New business



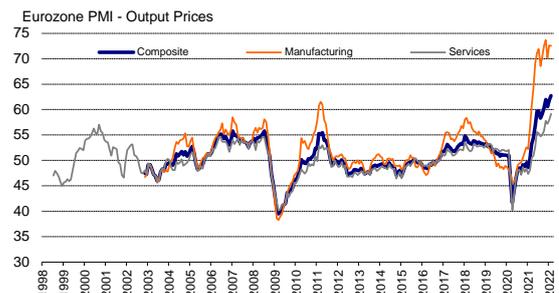
Employment



Input prices



Output prices



Source: IHS Markit.

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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 IHS Markit 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
Eurozone Composite Output Index ¹	0.0	0.3
Eurozone Manufacturing <i>PMI</i> ²	0.0	0.2
Eurozone Services Business Activity Index ²	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.

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.

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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