

Eurozone PMIs in March 2021

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This month the IHS Markit Composite Output Index of the Eurozone increased by 4,4 points, thus leaving the index at an eight-month high. With a final value of 53,2, the Eurozone recorded a return to growth for the first time since October. Additionally, all four major Eurozone economies have surpassed the 50 mark of no-change and find themselves in positive growth territory.

Even though Germany's Composite PMI remains on top and jumped ahead the furthest this month, with over 6 points more than in February, all economies seem to slowly be catching up. In particular, Spain reached its best result for the manufacturing sector since December 2006, with a PMI value of 56,9. (1)

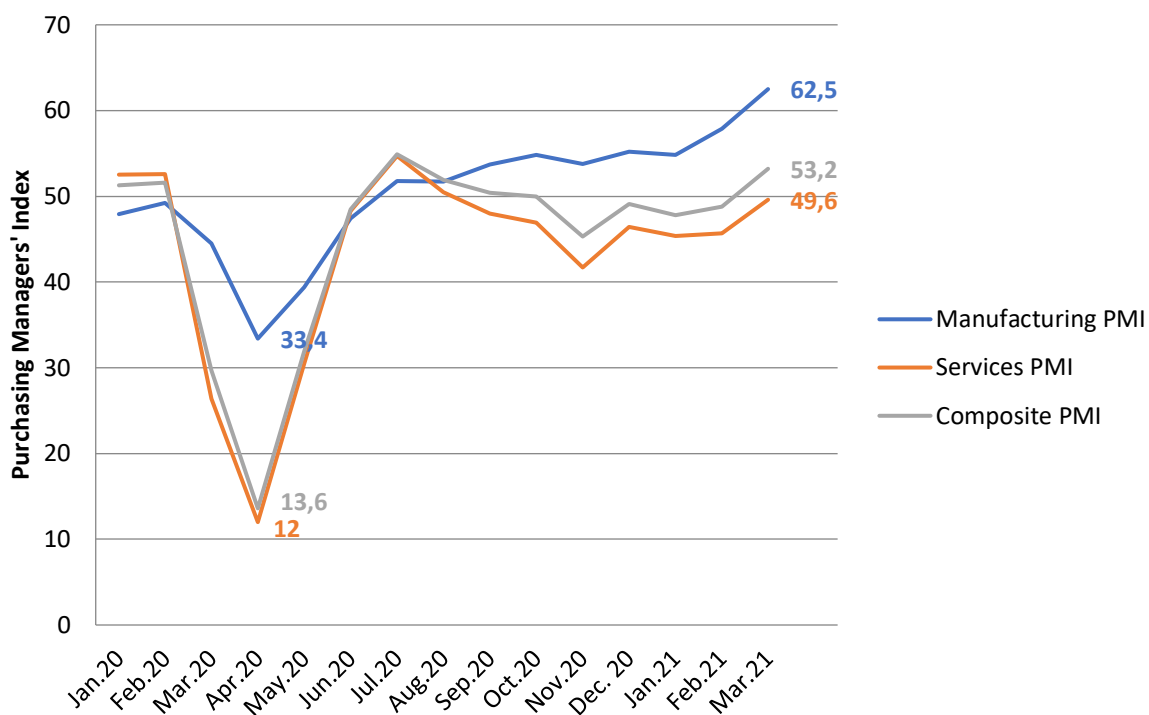
These encouraging developments are predominantly driven by the manufacturing sector. The final data indicates a Eurozone Manufacturing PMI of 62,5 – the highest in nearly 24 years of data collection. This substantial growth originates from an overall reinforced demand and an increasingly positive economic outlook for the near future, as witnessed by the sharp increase in new orders. The rise in demand occurred both domestically and internationally, reflecting a record gain in export orders. Moreover, the latest survey indicates a second successive month of rising employment with the strongest job growth since August 2018.

Despite these positive results, product shortages, logistical problems and a stronger demand are producing an unprecedented delay of delivery times, which is adding to inflationary pressures felt across the Eurozone. This translates into rises in both input costs and consumer prices. (2)

At the same time, the service sector keeps lagging behind, reflecting Covid-related restrictions. Hence, for the seventh consecutive month, the Final Eurozone Services Business Activity Index points to a contraction (below the threshold of 50). Yet, the rate of contraction in March was the slowest in seven months. (1)

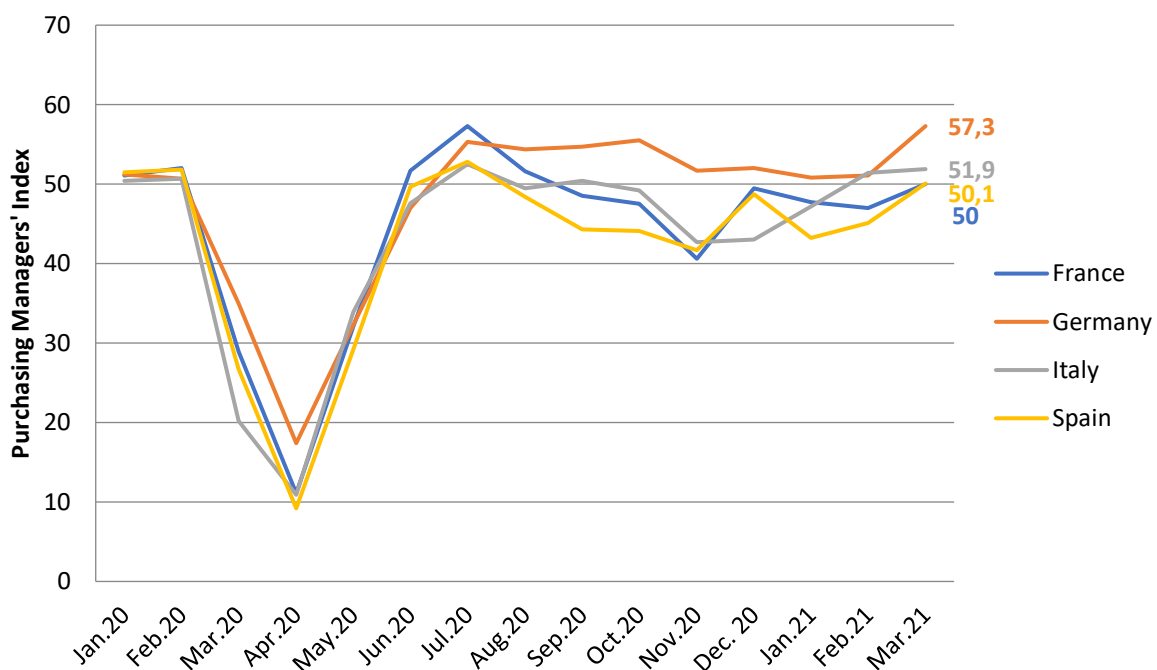
Finally, consumers seem to be growing more optimistic about the economy. Looking forward, the continuation of these favourable trends depends crucially on the rollout of vaccination programmes, as well as on whether inflationary pressures will be temporary or more long-lasting. (3)

Euro zone PMIs 2020 - 2021



Source: IHS Markit

Composite PMI (manufacturing + service) 2020 - 2021



Source: IHS Markit

Bibliography:

- (1) *IHS Markit Eurozone Composite PMI – final data*. IHS Markit. 7th April 2021.
- (2) *IHS Markit Eurozone Manufacturing PMI – final data*. IHS Markit. 1st April 2021.
- (3) *Commodities' Surging Prices and the Challenges for Europe's Recovery – Future is Blue* Podcast. Funcas Europe and Agenda Publica. 6th April 2021. Available online:
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