

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Eurozone Manufacturing PMI[®] – final data

Fastest growth of eurozone manufacturing sector for three years

Key findings:

- Final Eurozone Manufacturing PMI at 57.9 in February (Flash: 57.7, January Final: 54.8)
- Output and new orders up sharply as export trade strengthens
- Acute lengthening of delivery times drives fastest cost inflation in nearly a decade

Data collected 11-19 February

Countries ranked by Manufacturing PMI: February

Germany	60.7 (flash: 60.6)	37-month high
Netherlands	59.6	29-month high
Austria	58.3	36-month high
Italy	56.9	37-month high
France	56.1 (flash: 55.0)	37-month high
Spain	52.9	7-month high
Ireland	52.0	2-month high
Greece	49.4	2-month low

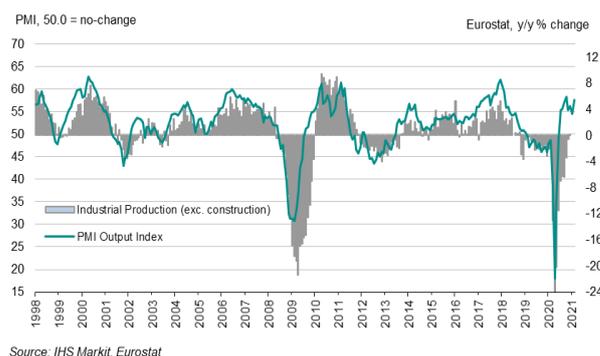
IHS Markit Eurozone Manufacturing PMI



Source: IHS Markit.

The eurozone's manufacturing economy performed strongly in February as operating conditions improved to the greatest degree for three years. This was highlighted by the seasonally adjusted headline PMI[®] which rose to 57.9, up from 54.8 in January and better than the earlier flash reading. The index was above the 50.0 no-change mark that separates growth from contraction for an eighth successive month.

All three broad market groups recorded an improvement in operating conditions during February. Investment goods producers registered the strongest growth (the best since January 2018), followed by intermediate goods. Although consumer goods recorded comparatively modest growth, it was nonetheless its best performance since last September.



Apart from Greece, where the respective PMI slipped back just below 50.0, the upswing in manufacturing growth seen during February was broad-based with all nations registering stronger PMI readings compared to January.

Germany and the Netherlands, where export gains remained especially strong, continued to lead the way in terms of overall growth.

Austria posted its best performance for three years, whilst the gains seen in Italy and France were the best since the start of 2018. Comparatively modest growth rates were seen in Spain and Ireland.

The headline eurozone manufacturing PMI was driven higher by sharper gains in both output and new orders, which in each case were the best since last October's recent peaks. Higher exports were a key driver of overall new order gains, with latest data

showing the strongest rise in new export* trade since January 2018.

A noticeable feature of February's survey data was the continued lengthening of delivery times for inputs. Latest figures showed the second-greatest deterioration in lead times since data were first available nearly 24 years ago. Amid widespread reports of delays and difficulties in sourcing inputs thanks to an upturn in global demand and ongoing transportation challenges related to COVID-19, input costs subsequently rose sharply with inflation reaching its highest recorded for nearly a decade.

Cost pressures were especially acute amongst German, Dutch, and Austrian manufacturers, but with market demand improving firms overall were able to pass on a portion of their higher expenses to clients in the form of increased charges. February's survey showed that output prices amongst eurozone manufacturers rose at the strongest rate since April 2018.

Adding to supply-side challenges was a marked increase in purchasing activity amongst eurozone manufacturers. Latest data showed that firms raised their purchasing activity to the greatest degree for over three years despite utilising existing input inventories wherever possible. Stocks of raw materials and semi-manufactured goods declined for a twenty-fifth successive month.

There was some positive news on the employment front during February, with staffing levels rising overall for the first time in nearly two years. Only Spain recorded a net fall in employment. Companies added to their staff numbers in response to higher overall workloads and signs of capacity pressure: backlogs of work increased in February for the seventh successive month.

Finally, confidence about the future continued to strengthen, with the latest survey showing that optimism hit its highest ever level (expectations data were first available in mid-2012). Growth projections were linked to hopes of a successful rollout of vaccination programmes and a resolution to the pandemic in the coming months.

* Includes intra-eurozone trade.

Comment

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

"Manufacturing is appearing as an increasingly bright spot in the eurozone's economy so far this year. The PMI has reached a three-year high to run at a level that has rarely been exceeded in more than two-decades of survey history – notably during the dot-com bubble, the initial rebound from the global financial crisis and in 2017-18.

"Producers are benefitting from resurgent demand for goods in both domestic and export markets, linked to post-COVID recovery hopes driving renewed stock building and investment in business equipment and machinery, as well as improved consumption.

"The solid manufacturing expansion is clearly helping to offset ongoing virus-related weakness in many consumer-facing sectors, alleviating the impact of recent lockdown measures in many countries and helping to limit the overall pace of economic contraction.

"The growth spurt has brought its own problems, however, with demand for inputs not yet being met by supply. Shipping delays and shortages of materials are being widely reported, and led to near-record supply chain delays. Prices paid for inputs are consequently rising at the fastest rate for nearly a decade, hinting at further increases in consumer price inflation in coming months, at least until supply and demand come back into balance."

-Ends-

For further information, please contact:

Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email chris.williamson@ihsmarkit.com

Paul Smith, Economics Director
Telephone +44-1491-461-038
Email paul.smith@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

The Eurozone Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 89% of eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The February 2021 flash was based on 88% 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 Manufacturing <i>PMI</i>	0.0	0.1

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 revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

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