

MARKET SENSITIVE INFORMATION

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S&P Global Eurozone Manufacturing PMI®

Manufacturing orders fall for first time in almost two years as inflationary surge continues

Key findings:

Final Eurozone Manufacturing PMI at 54.6 (Apr: 55.5). 18-month low.

Final Eurozone Manufacturing Output Index at 51.3 (Apr: 50.7). 2-month high.

Data were collected 12-24 May

S&P Global Eurozone Manufacturing PMI



Source: S&P Global.

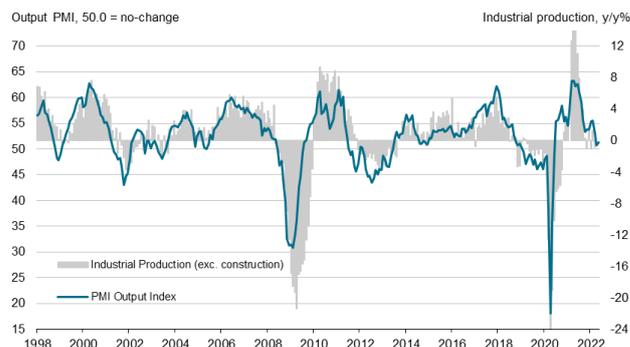
Eurozone manufacturing fragility was once again clear in the latest PMI® survey for May as manufacturing new orders fell for the first time since June 2020. Although output growth picked up marginally from April's recent low, it remained sluggish, while business confidence was among the lowest seen over the past two years amid sustained concerns surrounding the outlook for prices, supply chains and demand.

Prices data signalled still-substantial inflationary pressures in May despite rates of increase in both input costs and output charges easing slightly. Meanwhile, there were also signs, albeit limited, of some supply disruptions easing as delivery times lengthened to the second-weakest extent since the beginning of 2021.

The S&P Global Eurozone Manufacturing PMI® fell to 54.6 in May, down from 55.5 in April and signalling a weaker improvement in the health of the euro area manufacturing sector. Overall, the headline index fell to its lowest mark for 18 months. By sub-sector, latest data showed weaker upturns across each of the three monitored market groups.

Countries ranked by Manufacturing PMI: May

Netherlands	57.8	18-month low
Austria	56.6	16-month low
Ireland	56.4	15-month low
Germany	54.8 (flash: 54.7)	2-month high
France	54.6 (flash: 54.5)	7-month low
Spain	53.8	2-month high
Greece	53.8	14-month low
Italy	51.9	18-month low



Source: S&P Global, Eurostat.

The strongest-growing euro area constituent in May was once again the Netherlands, although the expansion here slowed to an 18-month low. Weaker rates of growth were also seen across the next-best performing manufacturing economies in Austria and Ireland. The only monitored nations to record stronger improvements were Germany and Spain.

Eurozone manufacturing output expanded midway through the second quarter. The rate of growth accelerated slightly from April's recent low, but was nonetheless the second-weakest in 23 months of expansion. Stronger (but still marginal) gains in production came amid tentative signs of receding supply-chain pressure as average input lead times lengthened to a lesser extent than in April. In fact, the deterioration in vendor performance was the second-softest since January 2021.

Moreover, euro area manufacturers added to their stocks of purchases at the quickest pace in three months during May. That said, amid soaring input price inflation and weakening demand, the rate of purchasing activity growth was unchanged from April's 17-month low.

Latest survey data signalled steep cost pressures across

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euro area manufacturing firms in May. Although the rate of increase softened, it was among the steepest on record amid widespread reports of surging energy and raw material prices. In a bid to offset margin pressures, surveyed goods producers charged higher prices. Overall, the rate of output price inflation was the second-strongest in the series history, surpassed only by that seen in April.

A consequence of rising selling charges was falling demand during May. New orders placed with euro area manufacturers declined for the first time since June 2020. In addition to price rises, survey respondents also linked weaker demand to the war in Ukraine, supply issues and heightened uncertainty. Furthermore, the decline was broad-based, according to market grouping data, and led by the intermediate goods category. Similarly, new export* orders also decreased at the sharpest pace for nearly two years.

Concerns surrounding the outlook for inflation, demand and supply chains anchored business confidence at a relatively subdued level during May. Overall, euro area businesses were optimistic towards the coming 12 months, but the level of positive sentiment was among the weakest seen over the past two years.

**Includes intra-eurozone trade*

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

“Euro area manufacturers continue to struggle against the headwinds of supply shortages, elevated inflationary pressures and weakening demand amid rising uncertainty about the economic outlook. However, the manufacturing sector’s deteriorating health has also been exacerbated by demand shifting to services, as consumers boost their spending on activities such as tourism and recreation.

“The survey’s output gauge is indicative of official manufacturing production falling slightly so far in the second quarter, and forward-looking indicators such as the orders-to-inventory ratio suggest the rate of decline will accelerate in coming months, absent a sudden revival of demand for goods. The eurozone economy therefore looks increasingly, and uncomfortably, dependent on the service sector to sustain growth in the coming months.

“A major driver of the first drop in new orders for almost two years was the ongoing supply crunch and accompanying price pressures, with producers of many goods and raw materials raising their prices yet again alongside a recent surge in energy prices. Spending power has hence been hit hard, and often consumers in particular have shown an eagerness to move spending from goods to services, taking advantage of looser pandemic travel restrictions.

“However, there is also an undercurrent of growing uncertainty about the economic outlook, linked to Russia’s invasion of Ukraine, persistent inflationary pressures and supply disruptions, that is in turn driving increased risk aversion and caution among customers, which points to deeper underlying downside risks to the economic outlook.”

-Ends-

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Note to Editors

The Eurozone Manufacturing PMI® (Purchasing Managers' Index®) is produced by S&P Global 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 May 2022 flash was based on 86% 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 PMI	0.0	0.2

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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