News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash Eurozone PMI®

Eurozone downturn deepens in September as price pressures intensify

Key findings:

Flash Eurozone PMI Composite Output Index(1) at 48.2 (Aug: 48.9). 20-month low.

Flash Eurozone Services PMI Activity Index(2) at 48.9 (Aug: 49.8). 19-month low.

Flash Eurozone Manufacturing Output Index(4) at 46.2 (Aug: 46.5). 28-month low.

Flash Eurozone Manufacturing PMI(3) at 48.5 (Aug: 49.6). 27-month low.

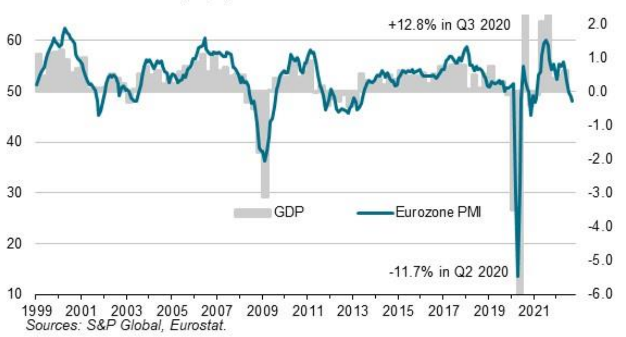
Data were collected 12-21 September

The Eurozone economic downturn deepened in September, with business activity contracting for a third consecutive month. Although only modest, the rate of decline accelerated to a pace which, barring pandemic lockdowns, was the steepest since 2013. Forward-looking indicators, such as new order inflows, backlogs of work and future output expectations, point to the decline gathering further momentum in coming months.

Worsening performances were seen in both manufacturing and services, with demand falling at steepening rates in each sector as a result of the rising cost of living and growing gloom about future prospects.

Soaring energy prices meanwhile added further to companies' cost burdens, and also limited production in some cases, pushing survey price gauges higher to indicate a renewed acceleration of inflationary pressures.

S&P Global Flash Eurozone PMI Composite Output Index



Sources: S&P Global, Eurostat.

The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** fell from 48.9 in August to 48.2 in September, according to the preliminary 'flash' reading based on approximately 85% of usual survey responses. The PMI has now registered below the neutral 50.0 level for three successive months, thereby signalling a continual economic decline throughout the third quarter, with the rate of contraction gathering pace in September to reach the fastest since January 2021. Excluding the pandemic shocks, the latest reading was the lowest since May 2013.

Manufacturing led the downturn, with factory output falling for a fourth straight month. Moreover, the rate of decline quickened slightly to the fastest since May 2020.

Service sector output also fell, down for a second consecutive month, contracting at a rate not seen since February 2021. The service sector decline was notable in being the sharpest since 2013 excluding the falls seen as a result of pandemic containment measures, led by steepening losses for travel, tourism, recreation, real estate and insurance.

By country, as seen throughout the past three months, **Germany** recorded reduced activity, with the composite PMI sinking to 45.9, its lowest since May 2020 and, excluding the pandemic, its weakest since June 2009. Besides the initial COVID-19 lockdown in early-2020, Germany's service sector decline was also the severest since June 2009. Manufacturing output continued to fall across Germany, albeit with the rate of decline moderating thanks in part to reduced supply chain constraints.

Output rose only modestly in **France**, the composite PMI registering 51.2. Although the increase exceeded the near-stalling seen in August, the survey indicated a marked slowing in French growth during the third quarter compared to the second quarter. An acceleration of service sector growth helped offset a deepening manufacturing downturn. French factories reported a drop in output which, barring the initial collapse during closures at the start of the pandemic, was the largest since March 2013.

Elsewhere across the region, output fell for the first time since February 2021, as a third successive monthly drop in manufacturing production was accompanied by the first fall in service sector activity since January.

New orders for goods and services meanwhile fell sharply

PMI® by S&P Global

for a third straight month, the rate of loss accelerating to a pace not seen since April 2013 barring periods of pandemic restrictions. Manufacturing orders fell especially severely, but service sector new business inflows also fell at an increased rate, in both cases declining faster than output to hint at a further acceleration of output losses in October.

Similarly, backlogs of uncompleted orders fell at a steepening rate, down for a third month in a row. An accelerated decline in manufacturing was joined by a renewed fall in services. Such declines point to excess capacity relative to demand growth.

While employment growth was unchanged during the month, August's gain had been the lowest for 17 months. The recent cooling in the job market reflects increased caution in respect to hiring amid rising costs and growing economic uncertainty.

Although factory output was again constricted in many cases by component shortages, with some evidence of energy market developments also limiting production capabilities, supplier delivery times lengthened to the smallest extent since October 2020 amid reports of fewer component shortages and improved logistics and shipping in some sectors.

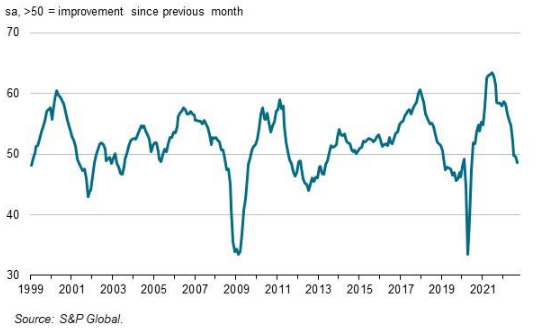
While easing raw material supply constraints helped alleviate some inflationary pressures, rising energy prices were widely blamed on a renewed acceleration of input cost inflation across both manufacturing and services. The overall increase in costs was the steepest since June.

Higher cost pressures meant that, after four months of cooling, the rate of increase of prices charged for goods and services also accelerated to the sharpest since June as firms sought to protect margins.

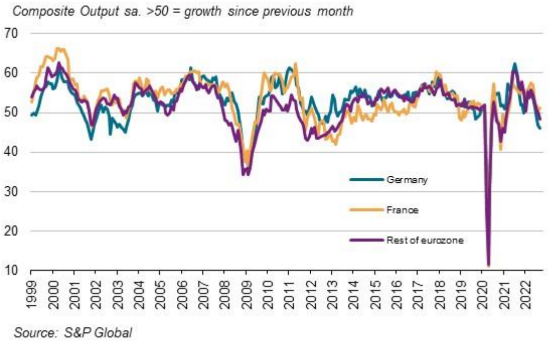
Looking ahead, business expectations for the coming year slumped sharply lower, dropping to the weakest since May 2020 and, excluding the pandemic, the lowest since November 2012. By far the steepest collapse in confidence was evident in Germany. In contrast, a slight improvement in future sentiment was recorded in France and a comparatively resilient mood was seen in the rest of the region as a whole, albeit in both cases down sharply from earlier in the year.

The gloomy outlook principally reflected concerns over soaring energy prices and the detrimental impact of rising inflation on firms' costs and customer demand. Higher interest rates, the Ukraine war, and ongoing supply chain shortages were also widely cited, as was a further shift towards destocking in manufacturing, both among producers and their customers.

S&P Global Flash Eurozone Manufacturing PMI



Core v. Periphery PMI Output Indices



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

"A eurozone recession is on the cards as companies report worsening business conditions and intensifying price pressures linked to soaring energy costs.

"The early PMI readings indicate an economic contraction of 0.1% in the third quarter, with the rate of decline having accelerated through the three months to September to signal the worst economic performance since 2013, excluding pandemic lockdown months.

"Germany is facing the toughest conditions, with the economy deteriorating at a rate not seen outside of the pandemic since the global financial crisis.

"With demand slumping and companies growing increasingly pessimistic about the outlook, the survey's forward-looking indicators point to a steepening economic decline for the eurozone in the fourth quarter, adding to the likelihood of the region falling into recession.

"Although there were some signs of supply chain constraints easing, the focus of concern has clearly shifted away from supply chains to energy and the rising cost of living, which is not only hitting demand but also limiting manufacturing production and service sector activity in some cases.

"The surge in energy costs has meanwhile reignited inflationary pressures which, having shown some signs of cooling in prior months amid easing supply shortages, have reaccelerated.

"The challenge facing policymakers of taming inflation while avoiding a hard landing for the economy is therefore becoming increasingly difficult."

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News Release

Contact

S&P Global Market Intelligence
Chris Williamson, Chief Business Economist
Telephone +44-20-7260-2329
Mobile +44-779-5555-061
Email: chris.williamson@spglobal.com

Sabrina Mayeen
Corporate Communications
Telephone +44 (0) 7967 447030
Email sabrina.mayeen@spglobal.com

Note to Editors

Final September data are published on 3 October for manufacturing and 5 October for services and composite indicators.

The Eurozone 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 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
Composite Output Index[1]	0.0	0.3
Manufacturing *PMI*[3]	0.0	0.2
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.

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.

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 .