News Release

MARKET SENSITIVE INFORMATION
Embargoed until 1000 CEST (0800 UTC) 5 September 2022

S&P Global Eurozone Composite PMI®

Eurozone business activity falls for second month running

Key findings:

Final Eurozone Composite Output Index at 48.9 (Jul: 49.9). 18-month low.

Final Eurozone Services Business Activity Index at 49.8 (Jul: 51.2). 17-month low.

Data were collected 12-25 August

Latest PMI® data suggested that the eurozone private sector moved further into contractionary territory during August as the service sector joined manufacturing in seeing output fall during the month. The decline was particularly marked in the euro area's largest economy, Germany.

Weakness in activity generally reflected falling demand, with new orders also down at a faster pace midway through the third quarter. Employment continued to rise, but the rate of job creation softened amid lower workloads and muted business confidence.

While remaining elevated, rates of inflation of both input costs and output prices continued to soften, providing some respite for firms.

The seasonally adjusted **S&P Global Eurozone PMI Composite Output Index** posted below the 50.0 no-change mark for the second month running in August, dipping to 48.9 from 49.9 in July. Although still only modest, the rate of contraction signalled in the latest survey period was more pronounced than that seen at the start of the third quarter.

The overall reduction in output reflected declining activity across both the manufacturing and services sectors in August, as services activity moved into contraction for the first time since March 2021. That said, the reduction in output at service providers was only marginal and much weaker than that seen for manufacturers, where production declined solidly again. Manufacturing output has now fallen in three consecutive months.

Falling activity was largely a function of a worsening demand environment, with steep inflationary pressures and associated cost of living concerns leading clients to hold off on buying decisions.

Countries ranked by Composite PMI Output Index: August

Ireland	51.0	18-month low
Spain	50.5	7-month low
France	50.4 (flash: 49.8)	17-month low
Italy	49.6	2-month high
Germany	46.9 (flash 47.6)	27-month low

Composite Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release

S&P Global Eurozone Composite Output Index

Source: S&P Global, Eurostat.

National PMI data indicated that Germany was the key driver of the overall decline in eurozone business activity, seeing output contract at a solid pace that was the steepest since the initial wave of the COVID-19 pandemic. The only other country to see activity decrease at the composite level was Italy, where output dropped for the second month running, albeit marginally in August. Although output continued to increase in France, Spain and Ireland, rates of expansion were only modest and slowed to the weakest in 17, seven and 18 months respectively.

New business across the euro area declined for the second month running in August, and at a sharper pace that was the most marked since November 2020. As was the case with output, both sectors posted reductions in new orders, with manufacturers seeing the steeper contraction. International demand also remained under pressure, with new export orders* decreasing for the sixth month running. In fact, the drop in new business from abroad was faster than that seen for total new orders.

Despite falls in activity and new business, companies across the eurozone expanded their workforce numbers again midway through the third quarter, largely reflective of

PMI® by S&P Global

continued efforts to rebuild capacity following the pandemic. Higher employment was seen across each of the monitored countries. That said, the overall rate of job creation softened for the third month running amid a weakening demand environment, with the latest rise in staffing levels the slowest since March 2021.

A combination of higher employment and lower new orders meant that companies were able to keep on top of workloads, and backlogs of work decreased for the second month running as a result.

The rate of input cost inflation continued to ease from the series record posted in March, reaching the slowest in almost a year in August. That said, input prices continued to rise at a pace unprecedented prior to the current spike in inflation since the series began in 1998. Similarly, output prices increased at a softer pace, but one that was among the sharpest on record. Similar price trends were seen across the two monitored sectors.

Business expectations remained historically muted, despite a slight improvement in sentiment since July. A renewed positive outlook in manufacturing compared with services confidence ticking down to the lowest since October 2020.

**includes intra-eurozone trade*

S&P Global Eurozone Services PMI®

The S&P Global Eurozone PMI Services Business Activity Index dropped below the 50.0 no-change mark in August, bringing to an end a 16-month sequence of rising service sector output. At 49.8, the index was down from 51.2 in July and signalled a marginal decline in activity midway through the third quarter.

The renewed contraction in business activity reflected further signs of demand weakness as new orders decreased for the second month running. The rate of decline in new business was modest, but quickened to the fastest since February 2021.

The weakening demand environment also dented confidence among firms regarding the year-ahead outlook for activity. Optimism dropped for the fourth successive month in August and was the lowest since October 2020.

Service providers in the eurozone continued to expand their staffing levels, thereby extending the current sequence of job creation to 19 months. That said, jobs growth waned further in August and was the weakest since May 2021.

Inflationary pressures continued to soften, but remained elevated. Both input costs and output prices increased at rates unseen prior to the pandemic, but at the slowest rates in six months.

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

“A second month of deteriorating business conditions in the euro area adds to the likelihood of GDP contracting in the third quarter. August saw output fall at an increased rate, with companies and households scaling back their expenditures amid the recent surge in inflation and growing uncertainty about the economic outlook.

“The deterioration is also becoming more broad-based, with services now joining manufacturing in reporting falling output. Having led the growth spurt earlier in the year, consumer-facing services such as travel, tourism and recreation are now reporting falling activity levels as the rising cost of living pushes households to cut back on non-essential spending. Financial services (notably including real estate) are meanwhile feeling the squeeze from higher interest rates, and industrial services are seeing their manufacturing customers reduce their spending amid the downturn in demand for goods.

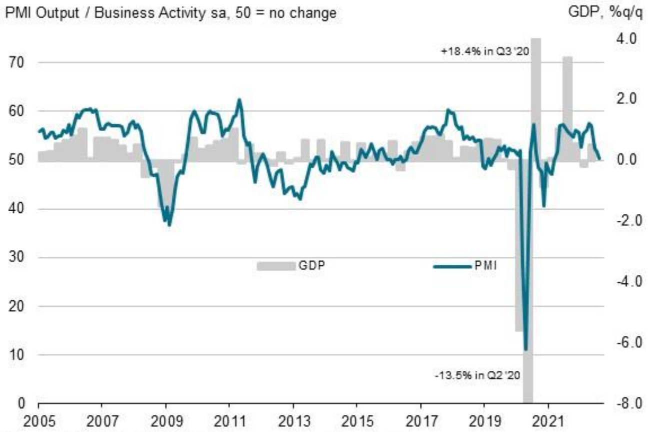
“Although the overall rate of decline remains only modest, commensurate with GDP falling at a quarterly rate of just 0.1%, the latest data point to the economy undergoing its weakest spell for nine years, excluding the downturns seen during the height of the pandemic.

“Looking ahead, an increased rate of loss of orders in August suggest that the downturn in business activity could gather pace in September, and firms are already cutting back on their hiring in the face of weaker than expected sales, surging costs and concerns about future growth prospects.

“Firms’ costs and selling prices continue to rise at rates that had not been witnessed prior to the pandemic, underscoring the persistence of elevated inflationary pressures, but there is at least some good news in terms of the rates of increase having slowed further in August, suggesting the inflation peak has passed.”

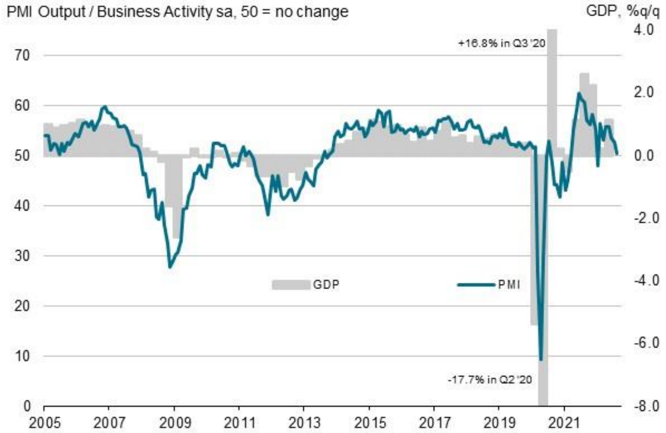
-Ends-

France



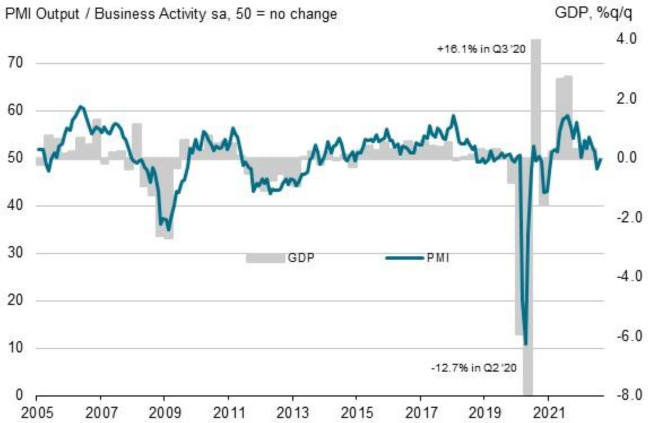
Source: S&P Global, INSEE GDP = gross domestic product

Spain



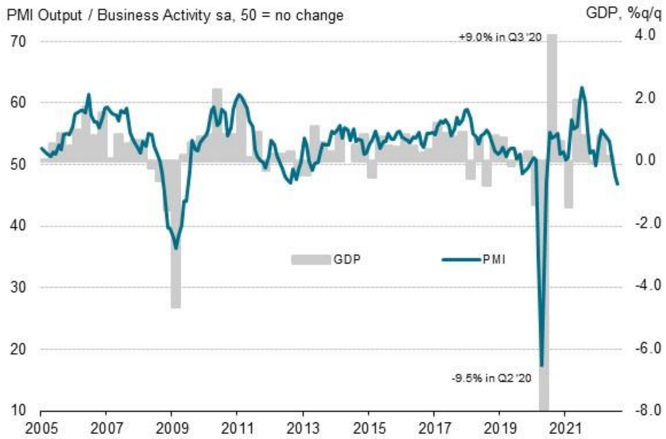
Source: S&P Global, INE. GDP = gross domestic product

Italy



Source: S&P Global, ISTAT GDP = gross domestic product

Germany



Source: S&P Global, FSO. GDP = gross domestic product

News Release

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Note to Editors

The Eurozone Composite 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 manufacturing and services firms. 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 Eurozone Services PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of eurozone private sector services output.

The final Eurozone Composite PMI and Services PMI follows on from the flash estimate which is released a week earlier and is typically based on approximately 75%–85% of total PMI survey responses each month. The August composite flash was based on 73% of the replies used in the final data. The August services flash was based on 70% 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 Composite Output PMI	0.0	0.3
Eurozone Services Business Activity PMI	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.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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