News Release

MARKET SENSITIVE INFORMATION
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# S&P Global Eurozone Manufacturing PMI®

## Eurozone manufacturing sector contracts again in August but inflationary pressures continue to subside

### Key findings:

Final Eurozone Manufacturing PMI at 49.6 (Jul: 49.8). 26-month low.

Final Eurozone Manufacturing Output Index at 46.5 (Jul: 46.3). 2-month high.

Data were collected 12-23 August

**S&P Global Eurozone Manufacturing PMI**


Source: S&P Global.

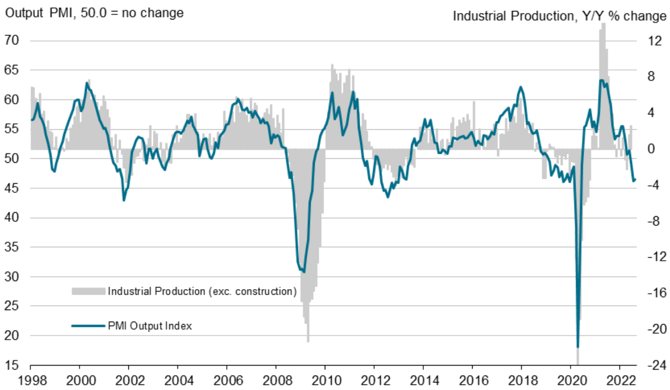
The eurozone manufacturing sector continued to contract midway through the third quarter. Output fell at a similar pace to that seen in July, which was the strongest since May 2020, while new orders declined sharply once again. Weak demand conditions were a major drag on goods producers in August, reflecting deteriorating purchasing power across Europe amid high inflation. Manufacturers subsequently cut their buying activity back further in response to the darkening economic outlook, although the reduced need for inputs helped lower the strain on suppliers.

Meanwhile, there were further signs of price pressures coming further down from their peak as rates of input cost and output charge inflation slowed to 19- and 16-month lows respectively.

The S&P Global Eurozone Manufacturing PMI® fell to 49.6 in August, down from 49.8 and further beneath the 50.0 mark that separates growth from contraction. Overall, this was the lowest reading since June 2020 and signalled a second successive deterioration in manufacturing operating conditions.

### Countries ranked by Manufacturing PMI: August

| | | |
|---|---|---|
| Netherlands | 52.6 | 22-month low |
| Ireland | 51.1 | 22-month low |
| France | 50.6 (flash: 49.0) | 2-month high |
| Spain | 49.9 | 2-month high |
| Germany | 49.1 (flash: 49.8) | 26-month low |
| Austria | 48.8 | 26-month low |
| Greece | 48.8 | 20-month low |
| Italy | 48.0 | 26-month low |




Source: S&P Global, Eurostat.

Of the monitored euro area countries, only three recorded Manufacturing PMIs in growth territory during August, although this masked declines in both output and new orders in each case. Netherlands was the top performer, followed by Ireland, although both saw the rate of expansion slow to a 22-month low. The only other country to see a PMI above 50.0 was France. Elsewhere, sharper downturns were seen in Germany, Austria, Greece and Italy, with the latter seeing the strongest manufacturing downturn in August.

Eurozone manufacturing output fell, marking a third successive monthly decline. The reduction was solid overall and broadly similar to that seen in July, which was the quickest since May 2020. According to survey respondents, production volumes fell due to lower incoming new orders, although some continued to report material shortages. Demand for euro area goods* fell sharply again in August and marked a fourth consecutive reduction. High prices, overstocked customers and reports of order postponements due to economic uncertainty were mentioned by manufacturers. New export sales* also fell, with the decline

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accelerating to the fastest since June 2020.

With production requirements falling, eurozone manufacturing firms reduced their input purchasing in August. The drop was of a similar strength to that seen in July (which was the fastest in just over two years). Amid falling input demand, the strain on suppliers continued to ease, as evidenced by the seasonally adjusted Suppliers' Delivery Times Index rising for a fifth month in a row to its highest since October 2020. That said, vendor performance continued to worsen overall as transportation issues and shortages of certain materials persisted.

Manufacturing inventory levels rose further during August. In fact, despite lower production, stocks of finished goods increased at the fastest rate on record due to a lack of incoming new work. Meanwhile, pre-production inventories rose at one of the fastest rates since data collection began (in 1997) amid timelier input deliveries and lower output.

Latest survey data signalled a further cooling of inflationary pressures as both input cost and output prices rose at their softest rates in 19 and 16 months respectively. Nevertheless, both increases remained historically sharp overall.

Elsewhere, capacity pressures were reduced again in August, as signalled by a third straight fall in backlogs of work. The rate of depletion quickened and was the fastest in just over two years. Employment meanwhile rose, albeit to the weakest extent in a year-and-a-half.

Finally, business confidence edged up slightly from July's 26-month low but it remained at a historically subdued level.

**Includes intra-eurozone trade*

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

*"The euro area's beleaguered manufacturers reported a further steep drop in production in August, meaning output has now fallen for three successive months to add to the likelihood of GDP falling in the third quarter. Forward-looking indicators suggest that the downturn is likely to intensify – potentially markedly – in coming months, meaning recession risks have risen.*

*"Falling sales have not only led increasing numbers of factories to cut production, but have also meant warehouses are filling with unsold stock to a degree unprecedented in the survey's 25-year history. Similarly, raw material inventories are accumulating due to the sudden and unexpected drop in production volumes.*

*"Weak demand and efforts to reduce high inventory levels are therefore combining to drive production lower in the months ahead. The orders-to-inventory ratio – an important indicator of future production – is in fact now signalling a downturn of an intensity not seen since 2009, barring the initial pandemic lockdown months.*

*"Some good news on inflation is provided by an easing in rates of increase for both factory input costs and selling prices, linked to weakened demand and fewer supply chain issues. However, the rate of inflation signalled remains elevated by historical standards, thank principally to energy, the cost and supply of which presents a major unknown for the outlook for both production and inflation in the months ahead."*

-Ends-

# News Release

## Contact

**S&P Global Market Intelligence**
Chris Williamson
Chief Business Economist
Telephone +44-207-260-2329
Email: chris.williamson@spglobal.com

Joe Hayes
Senior Economist
Telephone +44-1344-328-099
Email: joe.hayes@spglobal.com

Sabrina Mayeen
Corporate Communications
Telephone +44-7967-447-030
Email sabrina.mayeen@spglobal.com

## 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 August 2022 flash was based on 75% 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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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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