News Release

MARKET SENSITIVE INFORMATION
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S&P Global Eurozone Manufacturing PMI®

Euro area manufacturing production stabilises in February as supplier delivery times see most rapid improvement since 2009

Key findings:

Final Eurozone Manufacturing PMI at 48.5 (Jan: 48.8). 2-month low.

Final Eurozone Manufacturing Output Index at 50.1 (Jan: 48.9). 9-month high.

Data were collected 10-21 February

S&P Global Eurozone Manufacturing PMI

Source: S&P Global.

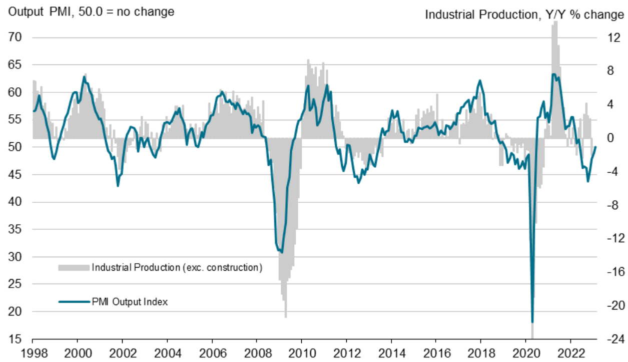
Manufacturing production volumes across the euro area broadly stabilised in February, ending an eight-month sequence of contracting output. Manufacturers in Italy, Greece and Spain lent the greatest support to factory output across the euro area in February.

According to survey respondents, easing supplier bottlenecks and improved raw material availability reduced the strain on production schedules. Indeed, supplier delivery times shortened to the greatest extent since May 2009. Consequently, cost pressures faced by goods producers eased considerably once again, with the overall rate of input price inflation slowing to a marginal pace that was the weakest in almost two-and-a-half years.

The S&P Global Eurozone Manufacturing PMI® fell slightly to 48.5 in February, from 48.8 at the start of the year. The index was pulled lower by the sub-components for suppliers' delivery times, which showed a considerable easing of supply-chain pressures (and typically is indicative of worsening manufacturing sector conditions), and stocks of purchases, which signalled the most marked decline in pre-production inventories since May 2021.

Countries ranked by Manufacturing PMI: February

Italy	52.0	10-month high
Greece	51.7	9-month high
Ireland	51.3	4-month high
Spain	50.7	8-month high
Netherlands	48.7	2-month low
France	47.4 (flash: 47.9)	4-month low
Austria	47.1	3-month low
Germany	46.3 (flash: 46.5)	3-month low



Source: S&P Global, Eurostat.

These two factors together offset the positive influences that the output, new orders and employment indices had on the headline measure.

Of the eight eurozone countries monitored by the survey (which account for an estimated 89% of total manufacturing activity), four recorded Manufacturing PMIs in expansion territory. Italian goods producers recorded the quickest improvement in operating conditions during February, with its respective PMI rising to a ten-month high. Greece registered an upturn of a similar strength, while Ireland and Spain recorded marginal month-on-month improvements. The "core" of the euro area – Germany and France – saw Manufacturing PMIs fall further below the 50.0 threshold.

The latest survey data signalled a stabilisation in manufacturing production across the eurozone midway through the first quarter, ending an eight-month sequence of falling output. According to surveyed companies, improvements in the supply of raw materials, in part due to speedier deliveries from vendors, supported production schedules. In fact, suppliers' delivery times shortened to the greatest extent since May 2009 in February.

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Nevertheless, weak demand conditions continued to weigh on factory output. New orders fell for a tenth successive month as client destocking, inflation and general economic uncertainty weighed on sales performances. A notable and stronger drag on demand came from international markets, as evidenced by a quicker decline in new export orders[1] during February.

With supply chain conditions improving and order book volumes falling, euro area manufacturers reduced both their purchases and stocks of inputs during February. Pre-production inventories fell for the first time since September 2021 as companies stepped up their efforts to unwind safety buffers.

Easing price pressures also reduced the need for companies to hold on to excess stock in February. Indeed, the latest survey data showed another considerable easing of input cost inflation faced by eurozone manufacturers. Overall, purchase prices rose only marginally and to the weakest extent since September 2020.

Output price inflation proved to be more rigid, however, with the rate of increase in selling prices staying sharp and well above its long-run average. This was despite factory gate charges rising at the softest pace in two years.

Looking ahead, euro area manufacturers were slightly more optimistic towards the year-ahead outlook when compared to January. Future output expectations were at their most upbeat since Russia's invasion of Ukraine around a year ago.

The more positive outlook supported another month of hiring. Factory employment rose moderately and at the quickest rate in four months. Greater staffing levels, in tandem with a further drop in new order intakes, led backlogs of work to fall for a ninth successive month in February.

[1] *Includes intra-eurozone trade*

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

"A marginal expansion of output reported by Eurozone manufacturers in February is welcome news in representing the first increase since last May and a further improvement in the underlying trend from the low seen back in October.

"The brighter production picture first and foremost reflects a broad-based improvement in supply chains, with deliveries of inputs into factories quickening on average to a degree not seen since 2009. Fewer supply shortages and delays have facilitated higher output, allowing companies to deal with backlogs of work accumulated during the pandemic.

"Unfortunately, inflows of new orders continued to fall at a marked rate, reflecting persistent weak demand as customer spending remained subdued. Inventory reduction policies also led to falling demand for manufactured inputs.

"Demand will therefore need to rise further in the coming months if production growth is to be sustained, breaking the reliance on backlogs of work.

"In the meantime, the combination of improved supply and sustained weak demand – as well as lower energy prices – is helping bring inflationary pressures down sharply, with raw material input costs barely rising in February to signal the slowest rate of increase for around two-and-a-half years. Although factory selling prices continued to rise sharply, albeit with the rate of increase easing to a two-year low, this in part reflects the usual lagged effect of changes in costs feeding through to output prices."

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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 February 2023 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

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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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