

MARKET SENSITIVE INFORMATION

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S&P Global Eurozone Composite PMI®

Service sector resilience helps sustain robust eurozone growth in May, but momentum fades

Key findings:

Final Eurozone Composite Output Index at 54.8 (Apr: 55.8). 4-month low.

Final Eurozone Services Business Activity Index at 56.1 (Apr: 57.7). 2-month low.

Data were collected 12-26 May

The eurozone economy continued to expand at a strong rate midway through the second quarter as recently-relaxed COVID-19 restrictions supported a sustained uplift in activity levels. The main driving force behind the latest expansion was once again the eurozone's dominant service sector as ongoing supply-side disruptions, the war in Ukraine and subdued demand for goods restrained manufacturing output growth.

Despite service sector resilience, there was an overall loss of momentum within the sector in May, leading private sector business output to rise at the slowest pace since January amid fading post-pandemic catch-up effects, growing uncertainty and rapid inflation.

Nevertheless, combined new business intakes across manufacturing and services firms continued to grow in May, while there was further evidence of squeezed capacities as backlogs of work rose once again. Employment growth accelerated to a ten-month high amid a broad-based improvement in hiring trends at the sector level.

With regards to inflation, output charges were raised to the second-greatest extent on record in May amid another substantial increase in firms' operating costs.

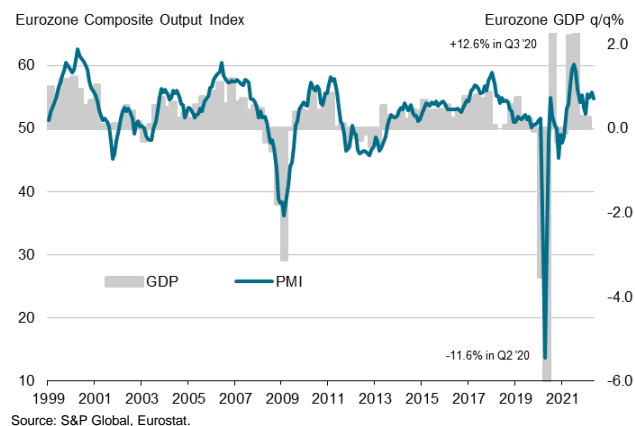
The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** fell to a four-month low of 54.8 in May, down from 55.8 in April. While the headline measure was still indicative of economic growth across the euro area, it also highlighted a loss of momentum. This slowdown was exclusively a result of a softer service sector expansion amid signs that the post-lockdown rebound was losing some strength. Nevertheless, services activity continued to rise at a robust pace and masked clear weakness within the goods-producing sector. Although manufacturing output growth edged slightly higher from April's 22-month low, it was subdued and below its long-run average.

Countries ranked by Composite PMI Output Index:

Ireland	57.5	4-month low
France	57.0 (flash: 57.1)	2-month low
Spain	55.7	Unchanged
Germany	53.7 (flash: 54.6)	5-month low
Italy	52.4	2-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.

Of the monitored euro area constituents, Ireland was the fastest-growing economy in May. That said, the expansion here slowed to a four-month low. Slowdowns were more or less broad at a country level during the latest survey period, with Spain the only exception as the rate of growth here was unchanged since April. At the other end of the spectrum, Italy was the worst performer and recorded a modest expansion in private sector output.

Latest survey data pointed to a further increase in new business receipts across the euro area private sector in May. That said, the expansion in demand for goods and services slowed to a four-month low amid a drop in manufacturing new orders and signs that the post-lockdown rebound in services was beginning to fade. Foreign client demand was also a drag on order volumes in May as new export business fell at the fastest pace for nearly two years.

Nevertheless, there was evidence of sustained capacity constraints across the eurozone private sector in May as backlogs of work rose for a fifteenth month in a row. Staffing issues, material shortages and rising new order intakes each contributed to a build-up of outstanding business.

PMI®

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To help work through backlogs and accommodate for anticipated demand, private sector employment across the euro area increased during May. In fact, the rate of job creation accelerated to a ten-month high.

However, business confidence eased slightly and was among the weakest seen since mid-2020. The war in Ukraine, rising prices, supply frictions and a general slowdown in the economy were cited as concerns by surveyed companies.

On the prices front, latest survey data continued to highlight severe inflationary pressures across the euro area. Although the increase in input costs was the slowest for three months, it was faster than anything seen prior to this. Rising wage and energy bills were accompanied by higher raw material and fuel costs, according to firms. To protect margins, prices charged were raised during May. Overall, the rate of output price inflation was the second-steepest on record and surpassed only by that seen in April.

S&P Global Eurozone Services PMI®

The S&P Global Eurozone PMI Services Business Activity Index posted 56.1 in May. Although this marked a decline from 57.7 in April, it was consistent with euro area services activity rising at a strong rate. Furthermore, it signalled the second-fastest expansion in services output since last September.

New business intakes continued to rise across the service sector in May, supported by a renewed increase in new orders from overseas customers. That said, overall demand for services rose at a slower rate when compared to April.

Nevertheless, capacity pressures intensified, as signalled by a faster rise in backlogs of work. The rate of accumulation in work-in-hand was the fastest for ten months. To boost activity levels, employment was raised to the quickest extent since July 2007.

Meanwhile, there was a further steep rise in operating expenses, leading firms to increase prices for the provision of services across the euro area at a sharp pace. Overall, the rate of output price inflation was the second-fastest on record behind April's peak.

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

“Strong demand for services helped sustain a robust pace of economic growth in May, suggesting the eurozone is expanding an underlying rate equivalent to GDP growth of just over 0.5%.

“However, risks appear to be skewed to the downside for the coming months. The manufacturing sector remains worryingly constrained by supply shortages and businesses and households alike remain beset by soaring costs. There are also signs that the boost to the economy from pent-up demand for services as pandemic restrictions are relaxed is starting to fade.

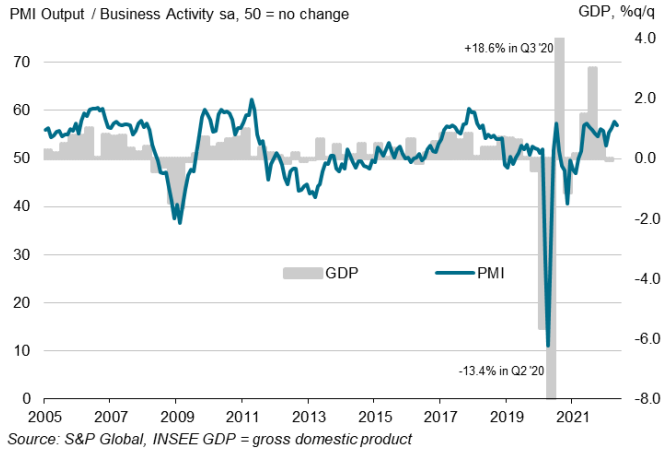
“Unsurprisingly, business confidence has slipped lower and is among the gloomiest since the early pandemic lockdowns, as companies scale back their expectations for growth in the coming year.

“The near-term fate of the eurozone economy will therefore depend on the extent to which a fading tailwind of pent-up demand can offset the headwinds of geopolitical uncertainty amid the Ukraine war, supply chain disruptions and the rising cost of living, the latter likely exacerbated by tightening monetary conditions. Clearly the coming months will be challenging for the region and an economic downturn cannot be ruled out despite the encouraging service sector expansion.”

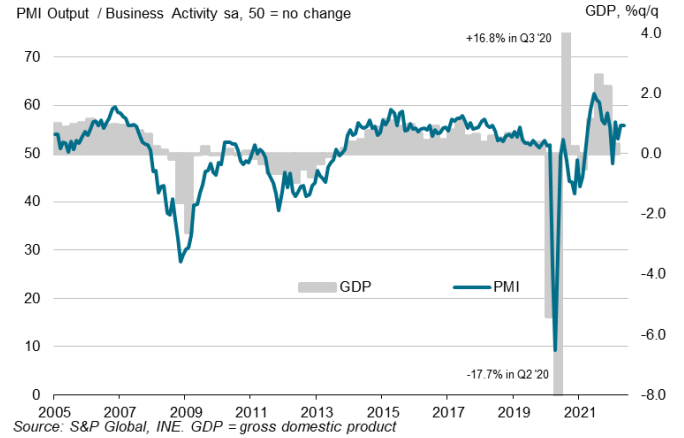
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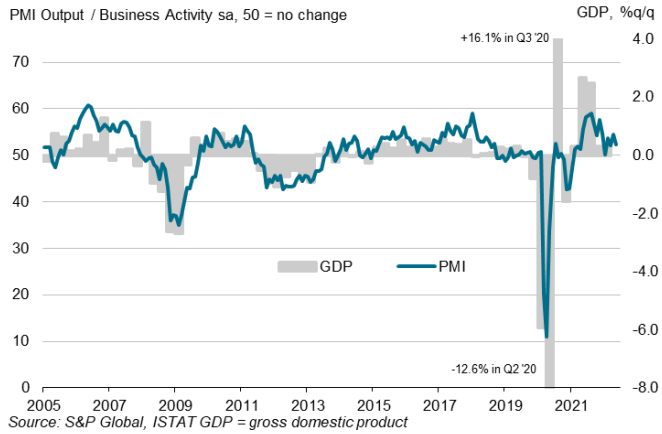
France



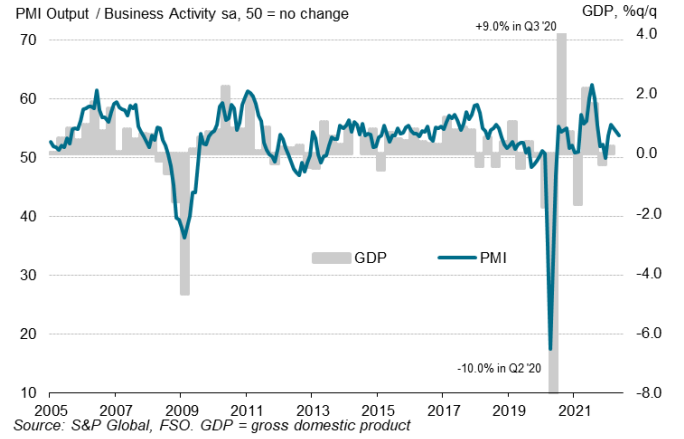
Spain



Italy



Germany



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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 May composite flash was based on 84% of the replies used in the final data. The May services flash was based on 81% 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	0.2
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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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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