

MARKET SENSITIVE INFORMATION

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S&P Global Eurozone Composite PMI®

Eurozone growth slows to 16-month low in June

Key findings:

Final Eurozone Composite Output Index at 52.0 (May: 54.8). 16-month low.

Final Eurozone Services Business Activity Index at 53.0 (May: 56.1). 5-month low.

Data were collected 13-27 June

Latest PMI data pointed to a further expansion of the eurozone economy in June, as has been the case in each month since March 2021. However, the pace of growth slowed to the weakest in this sequence and was only modest overall.

Weighing on the performance in June was the first fall in manufacturing production for two years and a weaker rate of increase in services business activity.

Furthermore, inflows of new work stalled in June, thereby ending a 15-month sequence of growth as eurozone firms struggled with weakening demand. Notably, factory order book volumes declined at the steepest rate since the depths of the initial COVID-19 lockdown in May 2020. International demand conditions continued to weaken in June, with the latest fall in exports the quickest in two years.

Nonetheless, firms continued to struggle with capacity pressures, as backlogs of work rose again, and subsequently took on additional staff at a sharp pace.

On the price front, cost burdens surged further, albeit with the rate of inflation retreating further from March's peak. Consequently, charges levied rose at a slightly reduced pace, but one that was nonetheless marked.

Stalling demand conditions and weaker activity growth were reflected in a further dampening in business confidence amongst eurozone firms. The level of sentiment was the weakest since October 2020 and subdued in the context of historical data.

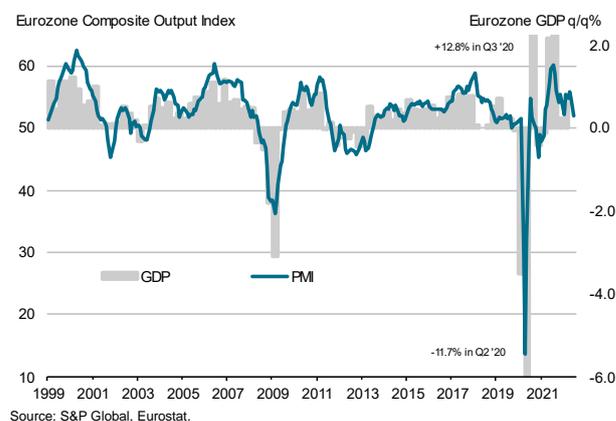
The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** registered 52.0 in June. Although still indicative of a modest upturn in private sector output, the latest reading was down from 54.8 in May, signalling the slowest rate of expansion in the current 16-month sequence as demand stalled. The fall in the headline figure reflected both a weaker upturn in service sector activity – the slowest since January – and the first reduction in manufacturing output for two years.

Countries ranked by Composite PMI Output Index:

Spain	53.6	3-month low
Ireland	52.8	16-month low
France	52.5 (flash: 52.8)	14-month low
Germany	51.3 (flash: 51.3)	6-month low
Italy	51.3	5-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



Of the monitored euro area constituents, Spain registered the fastest expansion in June, although the respective seasonally adjusted index nonetheless pointed to the slowest rate of growth since March. Slowdowns were broad-based across the remaining eurozone economies, most notably in Ireland and France where the rates of increase in output slowed sharply, to 16- and 14-month lows respectively, but remained solid in both cases. Elsewhere, Italy and Germany were tied at the bottom end of the growth rankings, with the latest upturns only marginal.

Inflows of new work to eurozone companies stagnated in June, ending a 15-month sequence of growth. Weakness was principally in the manufacturing sector, where order book volumes declined sharply, although services firms did record a weaker uplift in demand.

Despite stagnating demand conditions, eurozone firms continued to face capacity pressures in June, as signalled by a further increase in outstanding business. That said, the rate of backlog accumulation was the slowest since the current sequence of increase began in March 2021.

Ongoing capacity pressures were nonetheless strong enough to spur on additional job creation in June, stretching

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the current sequence of hiring growth to 17 months. Although the slowest since December, the rate of job creation remained strong overall.

Turning to prices, June data highlighted further severe inflationary pressures. Costs faced by euro area firms rose steeply, although the rate of inflation retreated further from March's peak. Cost pressures were again more acute in manufacturing. Consequently, charges levied by companies rose further. The rate of inflation eased to a four-month low, but remained marked in the context of historical data.

Looking ahead, the weaker performance in June was also reflected in a further moderation of business confidence amongst eurozone firms. The level of sentiment was the weakest since October 2020 and subdued in the context of historical data, with firms concerned around the economic outlook and inflationary pressures.

S&P Global Eurozone Services PMI®

The S&P Global Eurozone PMI Services Business Activity Index fell from 56.1 in May to 53.0 in June, indicative of a sustained upturn in eurozone services activity but one that was the weakest since January.

The slowdown in June primarily reflected a weaker uplift in new business to services firms. New work rose for the fourteenth month running, but the pace of growth was the slowest since January and only mild overall. Inflows of new work from abroad meanwhile declined for the first time in three months, albeit at just a marginal pace.

June data nonetheless pointed to sustained capacity pressures at service providers, with the level of work in hand (but not yet completed) increasing further. That said, the pace of backlog accumulation eased to an eight-month low.

Eurozone services firms also reported ongoing cost pressures in June, extending the current sequence of rising input costs to over two years. The rate of increase accelerated on the month and was the third-steepest on record.

Efforts to maintain margins subsequently led firms to raise their average charges further during June. The rate of inflation hit a three-month low, but was nonetheless amongst the strongest in the series history and marked overall.

Concerns around inflationary pressures and the economic outlook weighed notably on business confidence at euro area services firms in June. The Future Activity Index fell to a 20-month low and pointed to subdued expectations towards activity over the next year.

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

"The sharp deterioration in the rate of growth of eurozone business activity raises the risk of the region slipping into economic decline in the third quarter. The June PMI reading is indicative of quarterly GDP growth moderating to just 0.2%, with forward-looking indicators such as the survey's new orders and business expectations gauges pointing to falling output in coming months.

"The manufacturing sector is already in decline, for the first time in two years, and the service sector has suffered a marked loss of growth momentum amid the cost of living crisis. Household spending on non-essential goods and services has come under particular pressure due to soaring prices but business spending and investment is also waning in response to the gloomier outlook and tightening financial conditions.

"While employment growth remained robust in June, the downshifting in the pace of demand growth and deterioration in business optimism points to the labour market also cooling in the coming months.

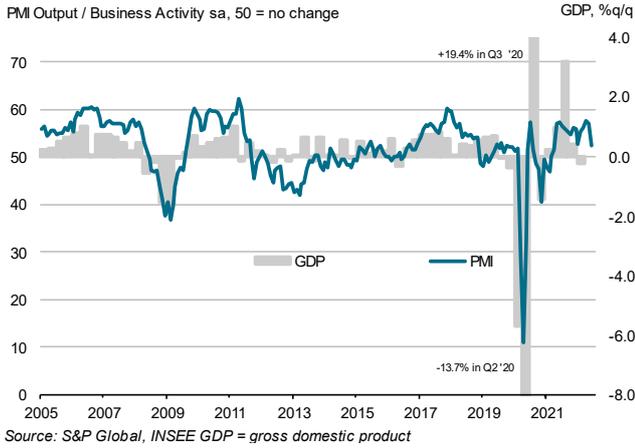
"More encouragingly, although price pressures remain elevated, there are signs that inflationary forces peaked back in April, reflecting a marked cooling of industrial price growth, improving supply chains and diminished demand. However, energy and food supply will likely remain two particular areas of concern and potential inflationary pressures as long as the war in Ukraine continues.

"The June PMI data therefore suggest that risks have increasingly tilted towards the economy slipping into a downturn at the same time that inflationary pressures moderate but remain elevated."

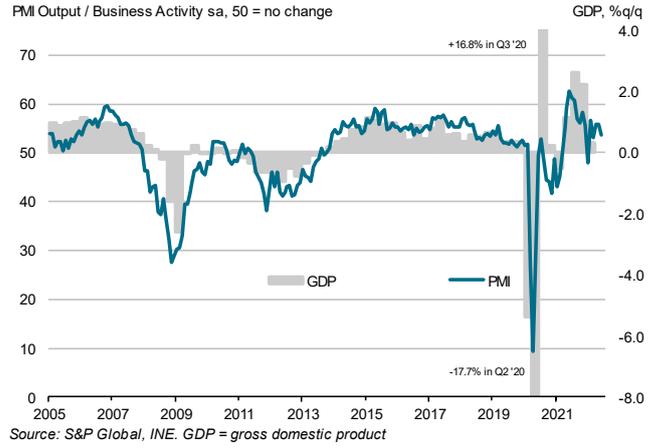
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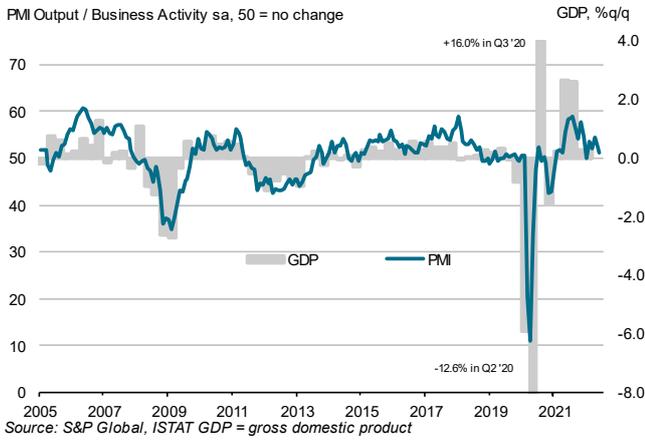
France



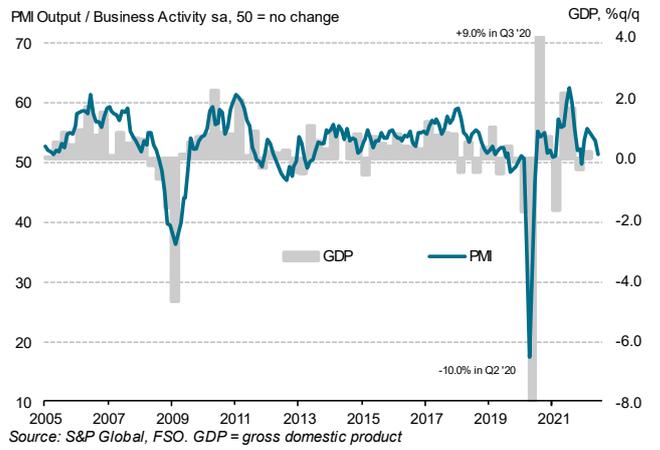
Spain



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 June composite flash was based on 84% of the replies used in the final data. The June services flash was based on 77% 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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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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