News Release

MARKET SENSITIVE INFORMATION
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S&P Global Eurozone Manufacturing PMI®

Eurozone manufacturing output falls at sharpest pace since initial COVID-19 wave as demand for goods plummets

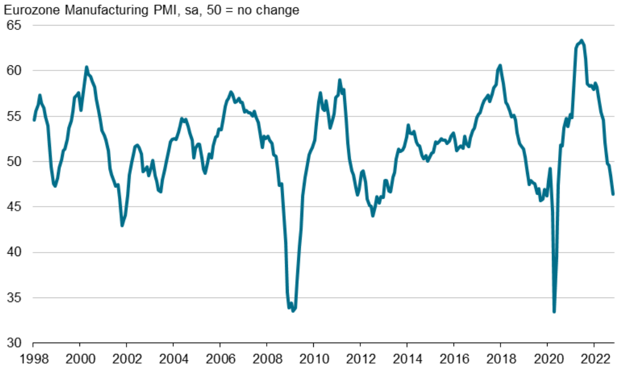
Key findings:

Final Eurozone Manufacturing PMI at 46.4 (Sep: 48.4). 29-month low.

Final Eurozone Manufacturing Output Index at 43.8 (Sep: 46.3). 29-month low.

Data were collected 11-24 October

S&P Global Eurozone Manufacturing PMI



Source: S&P Global.

The eurozone manufacturing sector slid further into contraction territory at the start of the fourth quarter as output and new orders fell at rates rarely surpassed across the 25 years of PMI data collection. Export demand also sank sharply as geopolitical uncertainty, high inflation and weaker economic conditions around the world weighed on foreign client spending.

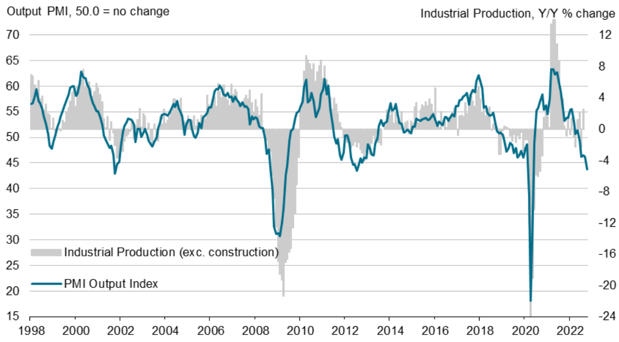
With output requirements rapidly diminishing, eurozone manufacturers reduced their purchases of inputs to the quickest extent since May 2020. A further easing of supply-chain pressures was also recorded as more capacity was freed up at suppliers.

Meanwhile, having accelerated slightly in September, price pressures subsided at the start of the fourth quarter. Nevertheless, output charge and input cost inflation rates remained historically elevated.

The S&P Global Eurozone Manufacturing PMI® recorded in sub-50.0 territory for a fourth month in a row in October, signalling a sustained downturn in manufacturing sector conditions. At 46.4, the headline index fell from 48.4 in September to its lowest level since May 2020.

Countries ranked by Manufacturing PMI: October

Ireland	51.4	2-month low
Greece	48.1	22-month low
Netherlands	47.9	27-month low
France	47.2 (flash: 47.4)	29-month low
Austria	46.6	28-month low
Italy	46.5	29-month low
Germany	45.1 (flash: 45.7)	28-month low
Spain	44.7	29-month low



Source: S&P Global, Eurostat.

Of the monitored eurozone constituents, only Ireland saw an improvement during October. The remaining countries registered deeper manufacturing downturns, with the majority recording the fastest deterioration since the initial COVID-19 shock during the first half of 2020. Spain was the worst-performing nation during October, closely followed by Germany.

Euro area manufacturing output continued to fall during October, extending the current sequence of contraction that started in June. According to panel comments, falling client demand was a key factor driving lower production volumes. The level of incoming new orders slumped during the latest survey period, reflecting shrinking demand from clients in markets across the eurozone and other parts of the globe. In over 25 years of data collection, the rate of decline seen in new orders during October has only been surpassed during periods of intense economic turbulence such as the global financial crisis period between 2008 and 2009 and the COVID-19 pandemic.

Euro area manufacturers were also faced with another steep increase in their operating costs during October. Energy prices were a major factor that drove expenses higher, according to anecdotal evidence. That said, the rate of input cost inflation eased and was the second-weakest since the start of 2021. Helping to at least partially alleviate the upward pressures on prices were further signs that supply chains were adjusting to meet current market demands. The Suppliers' Delivery Times Index rose to its highest level in over two years and was just below its long-run average in October. This helped bring the rate of output charge inflation down slightly to its second-lowest since April 2021.

Indeed, lower pressure on suppliers was partly a result of falling input demand. Buying activity fell at the quickest pace since May 2020 during October. Nevertheless, pre-production stocks rose as some companies accumulated safety-stock buffers to protect against price and supply risks.

Meanwhile, October survey data pointed to the fastest reduction in backlogs of work across the eurozone manufacturing sector since May 2020. A deficit of new work relative to output helped companies clear their pending orders. Nonetheless, employment growth was sustained and edged up fractionally.

Looking ahead, eurozone manufacturers continue to expect falling output volumes over the next 12 months. Excluding the months at the start of the pandemic, the Future Output Index registered its lowest reading since the series began in 2012 during October. High inflation, geopolitical uncertainty and worsening economic conditions globally underpinned the pessimistic outlook.

Commenting on the final Manufacturing PMI data, **Joe Hayes**, Senior Economist at S&P Global Market Intelligence said:

"The eurozone goods-producing sector moved into a deeper decline at the start of the fourth quarter. The PMI surveys are now clearly signalling that the manufacturing economy is in a recession. In October, new orders fell at a rate we've rarely seen during 25 years of data collection – only during the worst months of the pandemic and in the height of the global financial crisis between 2008 and 2009 have decreases been stronger.

"Factors that are likely to aggravate the downturn include inflation, which remains stubbornly elevated despite continued evidence that supply-chain pressures are receding. Sentiment among manufacturing firms remained rooted in negative territory once again in October, suggesting that firms foresee these challenging conditions to stretch out long into 2023.

"Developments in the energy markets will remain a key focus for euro area manufacturers through the winter. The spate of mild weather across Europe so far bodes well and has helped bring wholesale gas prices down. However, we remain mindful of the risk that atypical cold weather could ramp up the need for energy rationing, causing widespread disruption to manufacturing production."

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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 October 2022 flash was based on 90% 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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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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