

MARKET SENSITIVE INFORMATION

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S&P Global Eurozone Composite PMI®

Eurozone output contracts at sharpest rate in almost two years

Key findings:

Final Eurozone Composite Output Index at 47.3 (Sep: 48.1). 23-month low.

Final Eurozone Services Business Activity Index at 48.6 (Sep: 48.8). 20-month low.

Data were collected 11-26 October

The eurozone economy registered its fourth successive month-on-month contraction in private sector business activity at the start of the fourth quarter. The rate of decline was the sharpest since November 2020 and, excluding those months affected by pandemic restrictions, marked the deepest downturn since the first half of 2013.

A steeper reduction in manufacturing output was accompanied by an accelerated decline in service sector activity during October. Underpinning downturns across each sector were further slumps in new orders, with uncertainty, high prices and generally weak underlying demand conditions cited by survey respondents. Consequently, backlogs of work across the euro area continued to fall while business confidence was little-changed from September, which was the lowest since the initial COVID-19 shock in the first half of 2020.

Meanwhile, after accelerating in the previous month, input cost and output price inflation rates eased in October. Overall price pressures remained historically elevated, however.

The seasonally adjusted **S&P Global Eurozone Composite PMI Output Index** recorded below the crucial 50.0 mark that separates growth from contraction for a fourth successive month in October. At 47.3, the headline index fell from 48.1 in September to its lowest level since November 2020. Overall, this signalled a contraction in business activity across the euro area and one that, excluding the pandemic period, was the sharpest since April 2013. The downturn reflected stronger contractions across both the manufacturing and service sectors, with the more significant drag coming from the former.

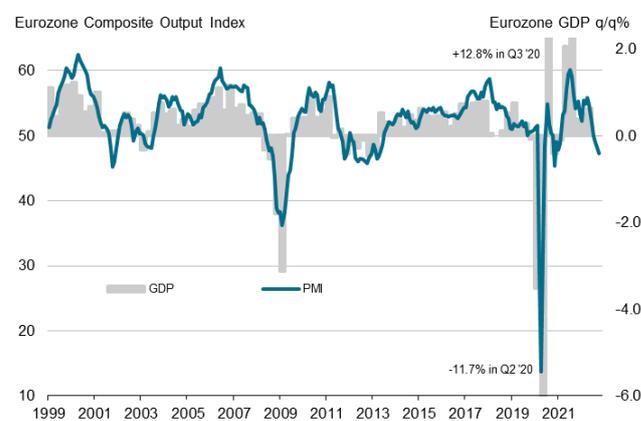
According to survey respondents, economic activity was pulled lower by weak demand, in part due to customers reining their spending in due to generally high inflation. Challenging global economic conditions also reportedly led output levels to contract.

Countries ranked by Composite PMI Output Index: October

| | | |
|---------|--------------------|--------------|
| Ireland | 52.1 | 2-month low |
| France | 50.2 (flash: 50.0) | 19-month low |
| Spain | 48.0 | 9-month low |
| Italy | 45.8 | 22-month low |
| Germany | 45.1 (flash 44.1) | 29-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 PMI Output Index



Source: S&P Global, Eurostat.

Economic trends worsened across the eurozone nations covered by the PMI surveys. Although Ireland and France saw private sector business activity levels rise, rates of growth slowed from September. The picture was bleak elsewhere as Spain, Italy and Germany all recorded contractions in output. Germany was the worst performer once again in October as the latest survey data pointed to the fastest deterioration in the economy since May 2020.

Overall new business received by eurozone companies fell for a fourth consecutive month in October. Generally weak underlying demand conditions were a factor behind the slump in sales. High prices for goods and services led customers to reduce their spending, according to panel members. The decrease in factory orders was significantly stronger than the fall in service sector new business. New orders from overseas* clients also slumped sharply in October.

The reduction in new work intakes led eurozone firms to channel spare resources to fulfilling pending orders. Backlogs of work fell for the fourth month in a row during October. This was exclusively driven by manufacturers as outstanding business volumes increased marginally across

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the service sector.

Reflecting the increasing challenges to growth for eurozone businesses, the level of confidence in the outlook was little-moved from September's near two-and-a-half-year low. Persistently high inflation, the energy crisis, a protracted economic downturn and rising interest rates were noted as reasons to be downbeat towards the year ahead by firms.

Although survey indicators highlighted worsening economic conditions across the euro area in October, PMI data pointed to a twenty-first successive increase in overall employment levels. The rate of job creation was relatively solid overall, but among the weakest seen across the last year-and-a-half.

Elevated cost pressures were once again recorded in October, reflecting high operating expenses due to energy, wages, transportation and certain raw materials. The rate of input price inflation eased from September's three-month high but remained sharper than most months seen before 2022. Selling prices rose in response, albeit to a lesser degree than in September.

**includes intra-eurozone trade*

S&P Global Eurozone Services PMI®

The S&P Global Eurozone Services PMI Business Activity Index slipped to 48.6 in October. This was down from 48.8 in September, signalling a third successive decrease in service sector activity. The rate of decline was the fastest since February 2021, albeit modest overall.

Activity levels were pulled lower by weaker demand. The level of incoming new business placed with euro area services firms fell in October for a fourth straight month. As was the case with output, the decrease was the strongest since February 2021.

Nevertheless, capacities were tested in October, as evidenced by an increase in backlogs of work. The rate of accumulation in outstanding business was only marginal, however.

Services firms continued to hire additional staff at the start of the fourth quarter, with the rate of job creation remaining stronger than seen across the survey history on average. There was a slight pick-up in business expectations, although the level of confidence in the outlook was the second-weakest since May 2020.

Lastly, service sector operating costs rose at a sharp pace once again in October, with companies opting to at least partly pass these on to clients through higher selling charges. That said, rates of inflation slowed in both cases.

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

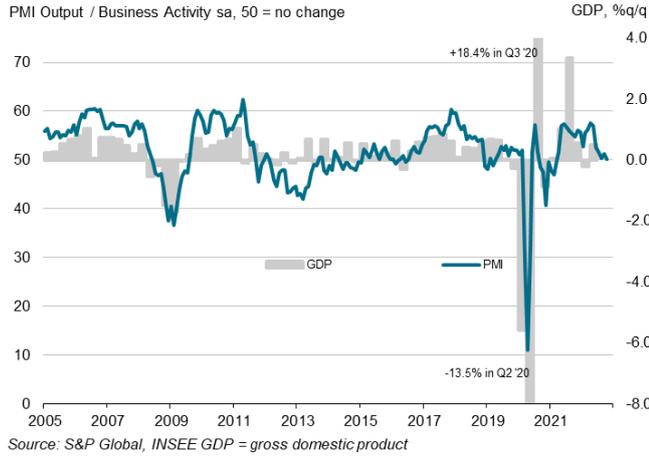
"After a weak third quarter of PMI and official GDP data, the latest survey results for the start of the fourth quarter suggest the eurozone economy is now headed for a winter recession. High inflation is dampening demand and hurting business confidence. Fears that the energy crisis could intensify over the winter period are also feeding uncertainty and weighing on decision-making.

"Nonetheless, the ECB will want to continue with monetary tightening to contain inflation. October PMI data suggest inflationary pressures remained extremely elevated across the eurozone. We did, however, see some dovish tones in the rhetoric surrounding the ECB's October policy decision, clearly showing that the Governing Council are concerned by the rapidly deteriorating economic outlook. A substantial worsening of economic conditions in the coming months may give policymakers a difficult decision to make with regards to the path of monetary tightening, for fear of being too aggressive and prolonging the downturn."

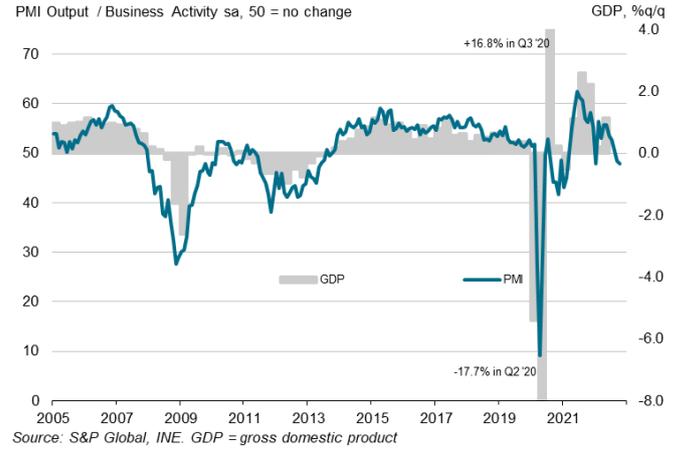
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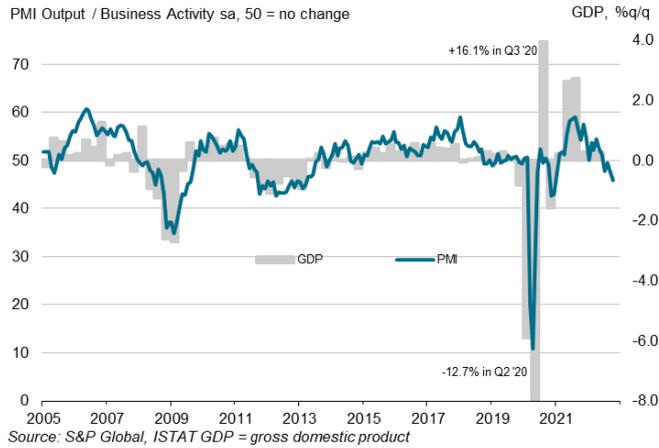
France



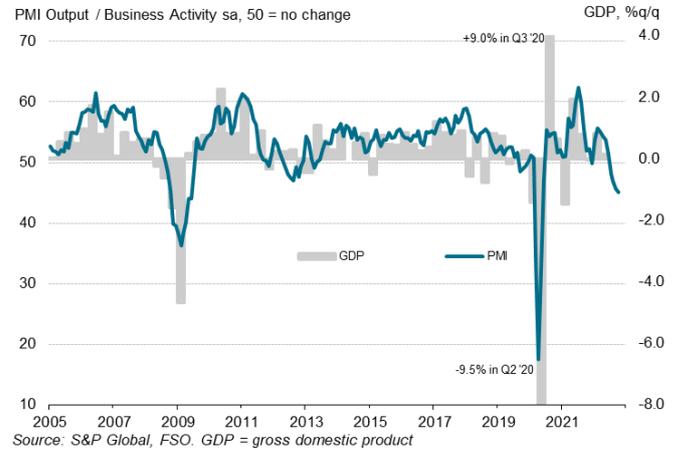
Spain



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 October composite flash was based on 85% of the replies used in the final data. The October services flash was based on 79% 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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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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