News Release

MARKET SENSITIVE INFORMATION
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S&P Global Eurozone Manufacturing PMI®

Eurozone manufacturing downturn worsens in July as recession risks intensify

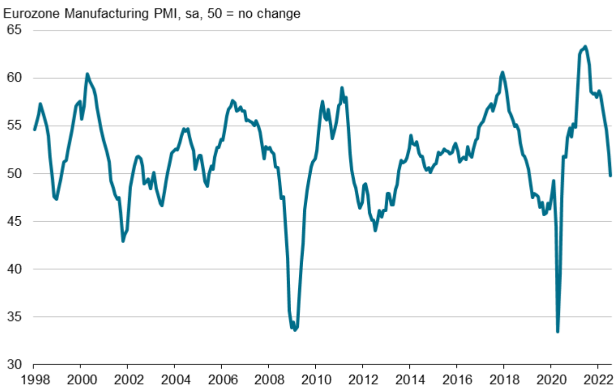
Key findings:

Final Eurozone Manufacturing PMI at 49.8 (Jun: 52.1). 25-month low.

Final Eurozone Manufacturing Output Index at 46.3 (Jun: 49.3). 26-month low.

Data were collected 11-22 July

S&P Global Eurozone Manufacturing PMI



Source: S&P Global.

The eurozone manufacturing sector fell deeper into contraction at the start of the third quarter, with July PMI® data signalling the sharpest decline in production since the initial wave of strict COVID-19 lockdowns in May 2020. The downturn strengthened amid a reduction in new orders which, aside from those seen during the pandemic restrictions, was the sharpest since the eurozone sovereign debt crisis in 2012 as steep inflation squeezed demand.

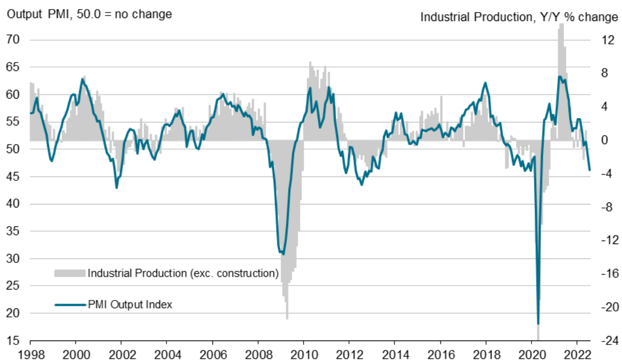
That said, there was some alleviation of price pressures during July as both input cost and output price inflation rates slowed to 17- and 15-month lows respectively. Nevertheless, the year-ahead outlook for manufacturing output dipped into pessimistic territory for the first time since May 2020 due to concerns surrounding supply chains, the war in Ukraine and the economy.

The S&P Global Eurozone Manufacturing PMI® fell below the crucial 50.0 mark in July to 49.8, from 52.1 in June, signalling the first deterioration in overall manufacturing sector conditions for just over two years. With the exception of stocks of purchases, each of the PMI's sub-components had a negative directional influence on the measure.

Countries ranked by Manufacturing PMI: July

Netherlands	54.5	20-month low
Austria	51.7	2-month high
France	49.5 (flash: 49.6)	26-month low
Germany	49.3 (flash: 49.2)	25-month low
Greece	49.1	19-month low
Spain	48.7	26-month low
Italy	48.5	25-month low

Note: Ireland data are released 2 August.



Source: S&P Global, Eurostat.

The stronger downturn at the aggregate euro area level reflected deteriorating manufacturing sector conditions across the largest economies in the single currency zone. Germany, France, Italy and Spain all recorded sub-50.0 readings in their respective headline Manufacturing PMIs during July. Greece also recorded in contraction territory, the first time in just over a year-and-a-half this has been the case.

The Netherlands was the top-performing constituent at the start of the third quarter, although here growth slumped to a 20-month low, while only Austria registered a higher PMI reading than in June and one indicative of only modest expansion.

For the second month running, euro area manufacturing output fell during July. The rate of decline accelerated and was the sharpest since the early stages of the pandemic in May 2020. Supply shortages continued to hinder factory operations according to firms, although others noted an uptick in staff absences due to COVID-19. With the exception of the Netherlands, all monitored euro area countries saw production levels drop during July.

PMI® by S&P Global

Another major drag on output was demand, with new orders falling sharply. In fact, excluding declines seen throughout the pandemic, manufacturing order book volumes decreased at the strongest rate since the eurozone sovereign debt crisis in 2012. Survey respondents frequently highlighted the destructive impact that inflation was having on their new business receipts. Sufficient inventory levels at clients due to past stockpiling efforts also weighed on demand conditions, according to some companies. New export orders* similarly fell, and at a sharper rate during July.

Meanwhile, latest survey data highlighted stronger stockpiling at the start of the third quarter, with both pre- and post-production inventory levels rising at faster rates. In fact, stocks of finished goods rose at the fastest rate in 25 years of data collection during July. However, anecdotal evidence suggests these increases were not fully intentional, with firms mentioning order cancellations from clients and the delivery of items with long lead times.

Purchasing activity was subsequently reduced, marking the first decrease in input buying in just under two years.

There were also some further tentative signs of supply-chain pressures alleviating slightly as delivery times lengthened to the least marked extent since October 2020. Nevertheless, vendor performance continued to worsen sharply overall.

Abating pressures on production lines was also evidenced by backlogs of work data, which signalled the quickest reduction in outstanding orders since June 2020. Employment continued to rise, albeit at the softest pace in almost a year-and-a-half.

Finally, euro area manufacturers turned pessimistic in their assessment towards growth prospects over the coming year as the Future Output Index dipped below the 50.0 mark. High inflation, the war in Ukraine, future energy supplies and recession fears were cited by firms as reasons for the negative outlook.

**Includes intra-eurozone trade*

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

“Eurozone manufacturing is sinking into an increasingly steep downturn, adding to the region’s recession risks. New orders are already falling at a pace which, excluding pandemic lockdown months, is the sharpest since the debt crisis in 2012, with worse likely to come.

“Production is falling at especially worrying rates in Germany, Italy and France, but is also now in decline in all other surveyed countries except the Netherlands, and even here the rate of growth has slowed sharply.

“Lower than anticipated sales, reflected in accelerating rates of decline of new orders and exports, have led to the largest rise in unsold stocks of finished goods ever recorded by the survey. Increasing numbers of producers are consequently cutting production in line with the deteriorating demand environment, as well as scaling back both their purchases of inputs and hiring of staff.

“One upside to the weakened demand environment is an easing of supply constraints, with the incidence of delays now the lowest since late-2020. This has in turn helped bring price pressures down considerably in the manufacturing sector. The notable exception is energy, where concerns are mounting regarding the impact of gas supply limitations in the months ahead.

“The energy crisis adds to the risks that not only will weaker demand and destocking cause manufacturing production to decline at an increased rate in the coming months, but reduced energy supply will act as an additional drag on the sector.”

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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 July 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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