News Release

MARKET SENSITIVE INFORMATION
Embargoed until 1000 CET (0900 UTC) 4 January 2023

S&P Global Eurozone Composite PMI®

Eurozone downturn eases in December as price pressures cool

Key findings:

Final Eurozone Composite Output Index at 49.3 (Nov: 47.8). 5-month high.

Final Eurozone Services Business Activity Index at 49.8 (Nov: 48.5). 4-month high.

Data were collected 05-20 December

The eurozone economy remained mired in a downturn at the end of 2022, although there were signs that weakness was dissipating as private sector business activity shrank only marginally and at the softest pace since last July. Alleviating pressure on the euro area economy was a further marked easing of inflation, leading to a slower fall in order books and another uptick in business confidence.

That said, overall business sentiment remained historically subdued, reflecting company concerns regarding the energy market outlook, high inflation and the rising risk of recession. Meanwhile, although price pressures subsided, energy and personnel costs kept the overall rate of input price inflation in hot territory. Meanwhile, the labour market showed resilience again as employment rose for a twenty-third successive month.

The seasonally adjusted **S&P Global Eurozone Composite PMI Output Index** registered in sub-50.0 contraction territory for a sixth consecutive month in December, signalling a sustained downturn in economic activity across the euro area. That said, at 49.3, which was up from 47.8 in November, the latest survey data signalled the slowest decline since last July, when activity levels first started shrinking. The decrease has now softened in each of the past two survey periods.

Manufacturing was once again the principal drag on overall output during December, although services activity also continued to fall. These decreases extended their respective sector-level downturns into a seventh and fifth consecutive month respectively. Nevertheless, rates of decline moderated in both cases.

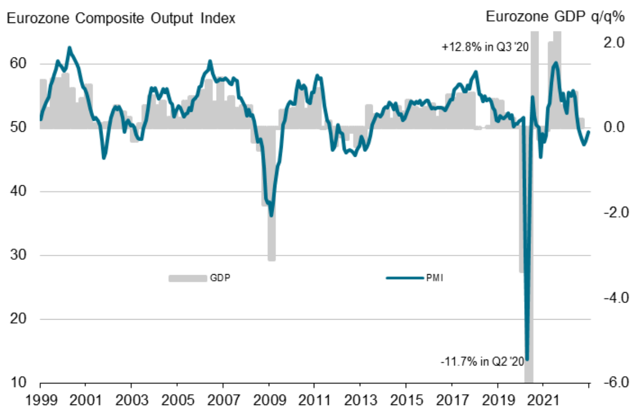
Subdued demand conditions were cited by survey respondents as a major factor holding back output volumes, although some companies remarked on the negative effects of higher interest rates. With inflation remaining elevated, reduced client purchasing power also restricted overall activity levels.

Countries ranked by Composite PMI Output Index: December*

Spain	49.9	4-month high
Italy	49.6	4-month high
France	49.1 (flash: 48.0)	2-month high
Germany	49.0 (flash 48.9)	6-month high

**Ireland data are released 5 January.*
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.

There was a broad-based easing in rates of decline across the monitored euro area nations (where data have been released) during December. Spain was only fractionally inside contraction territory, while Italy also moved closer to the 50.0 mark. Germany and France saw slightly faster deteriorations in output than Italy and Spain, although they were nonetheless only modest.

Eurozone companies recorded a drop in their intakes of new business during December, the sixth time in as many months in which this has been the case. Survey respondents commented on generally weak demand conditions. However, the slump in new orders was the weakest seen since last July. The decrease in manufacturing new sales continued to rapidly outpace that seen in services as clients destocked and cancelled orders.

There was also a strong deterioration in demand for goods and services from overseas clients* during the latest survey period. The decline was the weakest in four months, however.

Eurozone firms made further inroads into their backlogs in the absence of new work inflows, as evidenced by a reduction in backlogs in December. Incomplete order volumes have now fallen in each month throughout the second half of 2022, a marked contrast to the first half when companies saw their work-in-hand accumulate rapidly. Backlog reductions were particularly pronounced in the manufacturing sector.

Helping to reduce capacity pressures was a further expansion in staffing levels in December, extending the current run of job creation that started almost two years ago. Rising workforce numbers remained a feature of both sectors at the end of 2022. The overall rate of job creation was broadly unchanged from the 21-month low recorded in the previous survey period, however.

Cooling price pressures were seen across the eurozone economy during December. Overall input cost inflation slowed to a 19-month low as increases moderated at both goods producers and services companies. Nevertheless, cost pressures remained elevated by historical standards. The slowdown made way for a further easing of output charge inflation, with selling prices rising at the weakest pace in a year.

Lastly, amid slowing inflation and a weakening of the economic downturn, business confidence picked up further following last September's recent low, to a four-month high. That said, the overall level of confidence remained weaker than anything seen in the two years prior to July as recession risks, energy market concerns and high inflation dampened sentiment.

**includes intra-eurozone trade*

S&P Global Eurozone Services PMI®

The S&P Global Eurozone Services PMI Business Activity Index rose to 49.8 in December. This was up from 48.5 in November and signalled only a marginal decline in service sector output across the euro area. Overall, this was the softest decrease in activity since last August.

A sixth successive monthly reduction in new business was registered in December. Falling export orders also contributed to this. That said, the overall rate of decrease in new workloads was the softest in five months.

Outstanding business volumes fell for a second successive month as reduced new business enabled companies to focus on orders pending completion. A further expansion in employment also boosted resource availability. The rate of job creation was only fractionally stronger than the 20-month low seen previously, however.

Input prices and output charges both rose markedly in December, although rates of inflation eased to 11- and four-month lows respectively.

Finally, business confidence edged up to a four-month peak but remained historically subdued.

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

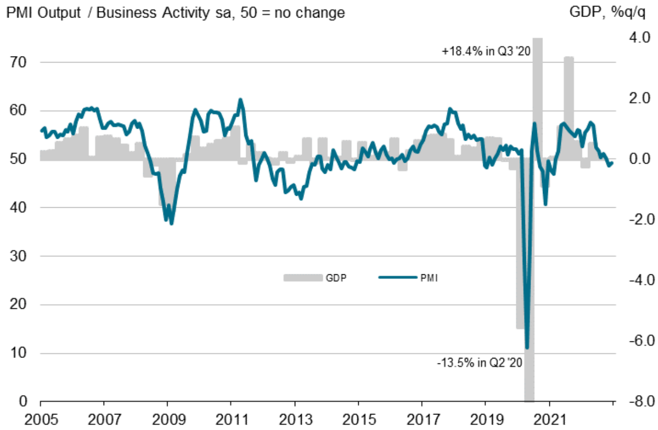
"The eurozone economy continued to deteriorate in December, but the strength of the downturn moderated for a second successive month, tentatively pointing to a contraction in the economy that may be milder than was initially anticipated. Weaker declines were also seen broadly across the euro area nations, and most notably in Germany, whose economy has been the primary drag on the eurozone as a whole in the second half of this year.

"Cooling price pressures have helped temper the decline in economic activity levels. A particularly marked slowdown in manufacturing inflation bodes well for other sectors of the economy, although this has partly been down to relatively benign developments across European energy markets at the end of 2022. Services inflation remains stickier for now, reflecting a sharp rise in labour costs, which continued to be pushed up by continued hiring efforts.

"Nevertheless, there is little evidence across the survey results to suggest the eurozone economy may return to meaningful and stable growth any time soon. Demand conditions remained fragile as clients have retrenched, while business confidence remains bogged down by recession concerns, energy cost uncertainty and persistently high inflation and a tightening of financial conditions."

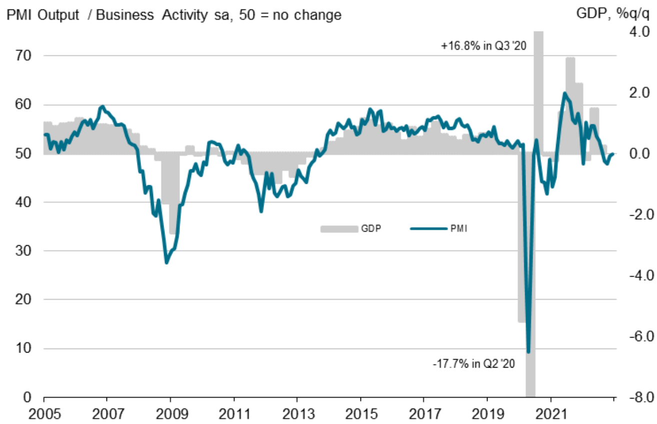
-Ends-

France



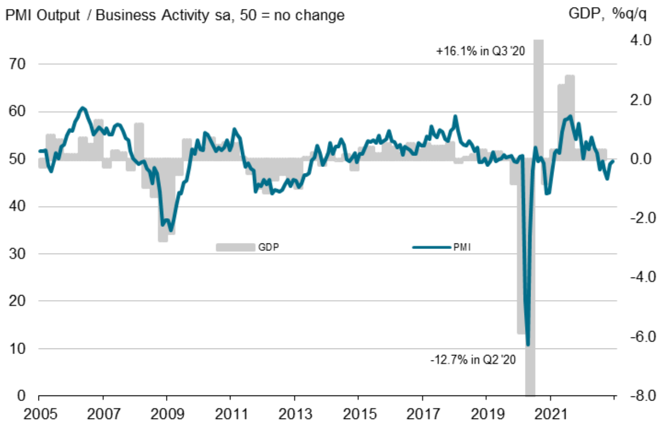
Source: S&P Global, INSEE GDP = gross domestic product

Spain



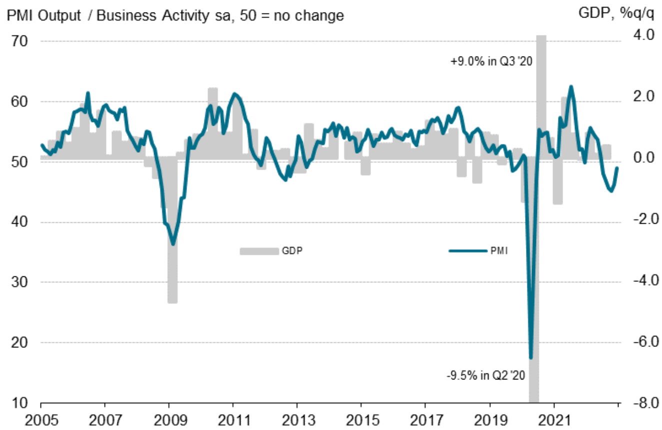
Source: S&P Global, INE. GDP = gross domestic product

Italy



Source: S&P Global, ISTAT GDP = gross domestic product

Germany



Source: S&P Global, FSO. GDP = gross domestic product

News Release

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

S&P Global (NYSE: SPGI)

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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 .