

MARKET SENSITIVE INFORMATION

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S&P Global Eurozone Composite PMI®

Eurozone economy grows for first time since June 2022

Key findings:

Final Eurozone Composite Output Index at 50.3 (Dec: 49.3). 7-month high.

Final Eurozone Services Business Activity Index at 50.8 (Dec: 49.8). 6-month high.

Data were collected 12-26 January

Following six successive months of contraction, the eurozone economy produced a marginal expansion at the start of 2023. Higher levels of business activity were accompanied by stronger jobs growth as the region's labour market continued to exhibit a remarkable level of resilience, as well as a strengthening of business confidence. Although new orders fell, in line with the trend since the summer of 2022, the rate of decline was the softest over this period. Backlogs of work also decreased, particularly in the manufacturing sector.

Input cost inflation continued its downward trend, easing to a 21-month low, although output prices increased at a slightly faster clip in January.

The seasonally adjusted **S&P Global Eurozone Composite PMI Output Index** moved into expansion territory in January for the first time since June 2022. At 50.3, this was up for the third month in succession and compared with a reading of 49.3 in December. Overall, the headline figure was indicative of a marginal rate of growth in private sector business activity across the euro area.

Sector-level data showed the renewed upturn was exclusively fuelled by services firms. Production volumes continued to fall at the start of the year, although the pace of contraction was the slowest since June 2022. On the other hand, services activity rose for the first time since last summer.

The latest survey results also tentatively suggest the economy hit its nadir last October, with output indices in both sectors steadily increasing since then.

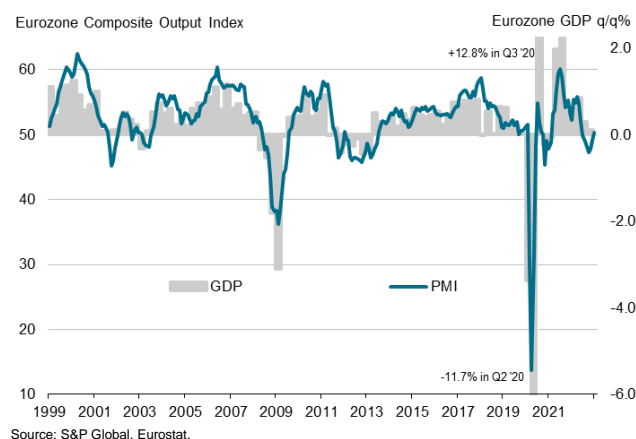
Of the countries with Composite PMI data available (which together account for around 78% of eurozone private sector output), Ireland registered the strongest performance in January, with output growing modestly. Spain and Italy also saw upturns in activity during the latest survey period, while Germany's economy broadly stabilised. Meanwhile, the French private sector continued to contract, albeit only marginally.

Countries ranked by Composite PMI Output Index: January

Ireland	52.0	3-month high
Spain	51.6	6-month high
Italy	51.2	7-month high
Germany	49.9 (flash 49.7)	7-month high
France	49.1 (flash: 49.0)	Unchanged

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



Economic growth across the eurozone was constrained by continued weakness in demand, latest survey data showed, as total new orders fell for the seventh successive month. However, new business intakes fell only modestly and at the weakest pace seen across the aforementioned sequence. In fact, demand for euro area services stabilised in January, ending a six-month downturn. As a result, a solid fall in new factory orders was the principal drag. Private sector companies in the eurozone also signalled challenging export* market conditions, as new business from abroad decreased. That said, the contraction was the slowest since June 2022.

With business activity levels picking up, but new order intakes dipping again, euro area companies made inroads into their backlogs during January. Volumes of incomplete work fell for a seventh month in a row, with another pronounced decrease seen at manufacturers in particular.

Nevertheless, despite evidence to suggest capacity levels are sufficient to cope with existing demands, private sector employment levels across the euro area rose in January. The rate of job creation even ticked slightly higher to a three-month peak and remained above its historical average.

PMI®

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Hiring activity improved across both monitored sectors at the start of the year.

Meanwhile, January survey data showed input cost inflation easing again, down to its weakest since April 2021. The cooling of cost pressures was marked across the manufacturing sector, with the corresponding input prices index falling below its long-run trend level in January. Input cost inflation at services firms has remained far more stubborn and, despite also easing during the latest survey month, remained stronger than anything seen prior to November 2021 amid reports of strong wage pressures. Meanwhile, there was a slight pick-up in output charge inflation during January.

Looking ahead, eurozone businesses were more optimistic in the outlook for the coming 12 months. The level of positive sentiment improved to a nine-month high. That said, this was still much lower than that seen in February 2022, prior to Russia's invasion of Ukraine.

**includes intra-eurozone trade*

S&P Global Eurozone Services PMI®

The S&P Global Eurozone Services PMI Business Activity Index signalled a return to growth in services output during January, rising to 50.8, from 49.8 in December. Overall, this marked the first reading above the crucial 50.0 mark that separates expansion from contraction for the first time since July 2022. That said, the increase in business activity was marginal.

The increase in total activity was mainly supported by companies' efforts to clear their backlogs of work, which fell for the third month in succession. January survey data also signalled a broad stabilisation in new business volumes, however, ending a six-month sequence of decline.

Improvements to capacities were also highlighted by continued jobs growth. Service sector employment increased in January, extending the current sequence of jobs growth to two years. The rise in workforce numbers was moderate and the fastest since last October.

There was also an improvement in the growth outlook, with confidence strengthening to an eight-month high.

On the prices front, input cost inflation eased to a 13-month low but was historically sharp overall. Despite an alleviation in cost pressures, selling charges were raised to a greater extent than in December.

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

"A resumption of business output growth, even marginal, is welcome news and suggests that the eurozone could escape a recession. With price pressures down markedly in recent months, supply constraints easing and near-term energy market worries alleviated by subsidies, lower prices and a warm winter, business confidence has also lifted higher, adding to hopes that the upturn will gather steam in the coming months.

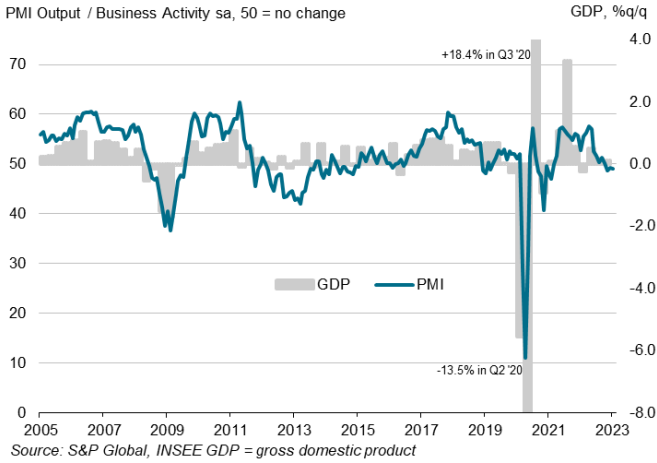
"However, it remains too early to completely disregard recession risks. In particular, the impact of higher interest rates on economic growth has yet to be fully felt, and many companies are relying on backlogs of previously placed orders, accumulated during the pandemic, to sustain growth. Demand growth needs to accelerate to drive a more robust upturn, and it is worrying in that respect to see new orders continue to fall in January.

"It therefore remains to be seen whether the eurozone can build on the marginal expansion seen in January or whether we might see a repeat of 2012, when an encouraging return to growth at the start of the year proved fragile and gave way to a fresh downturn."

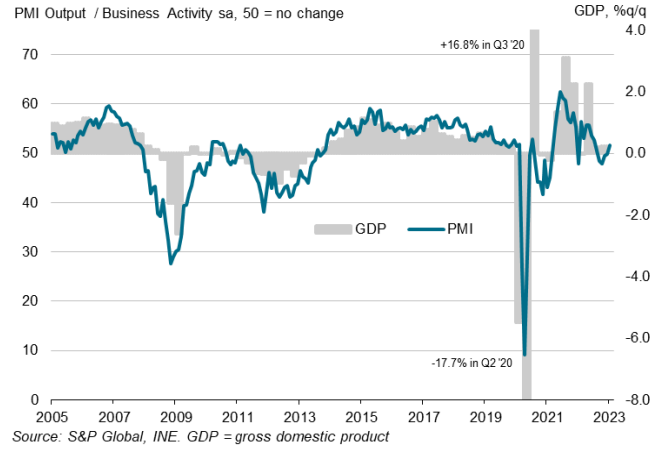
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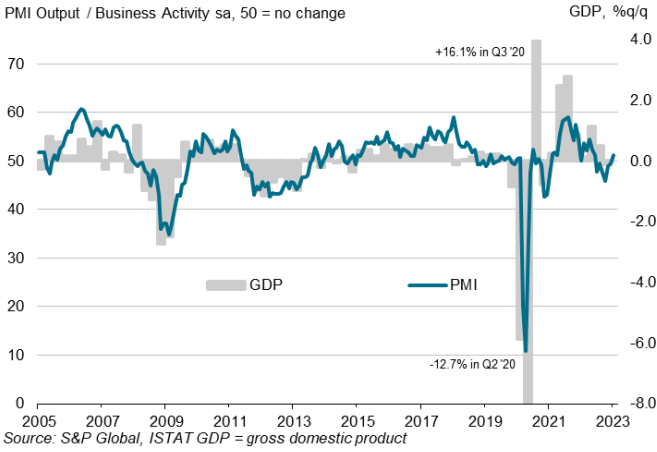
France



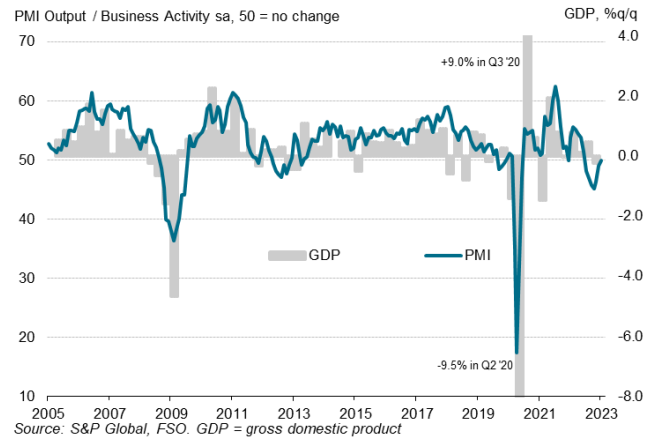
Spain



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 January composite flash was based on 85% of the replies used in the final data. The January services flash was based on 80% 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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