

MARKET SENSITIVE INFORMATION

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S&P Global Flash Eurozone PMI®

Eurozone growth slows sharply to 16-month low in June as demand stalls and price surge continues

Key findings:

Flash Eurozone PMI Composite Output Index⁽¹⁾ at 51.9 (May: 54.8). 16-month low.

Flash Eurozone Services PMI Activity Index⁽²⁾ at 52.8 (May: 56.1). 5-month low.

Flash Eurozone Manufacturing Output Index⁽⁴⁾ at 49.3 (May: 51.3). 24-month low.

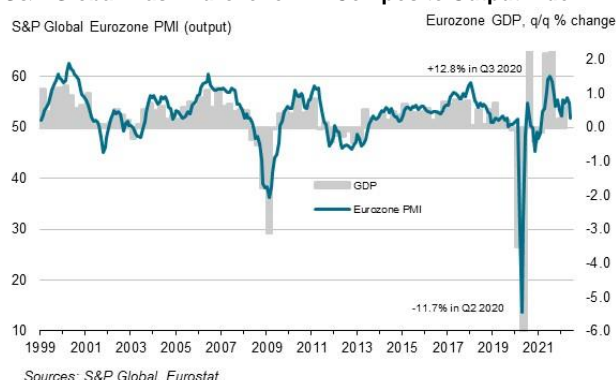
Flash Eurozone Manufacturing PMI⁽³⁾ at 52.0 (May: 54.6). 22-month low.

Data were collected 13-21 June

Eurozone economic growth deteriorated sharply to a 16-month low in June, according to preliminary PMI data, reflecting a stalling of demand growth. Manufacturing output contracted for the first time in two years and service sector growth cooled considerably, easing most notably for consumer-facing services.

Companies also scaled back their business expectations for output over the coming year to the lowest since October 2020. Both the stagnation of demand and worsening outlook were widely blamed on the rising cost of living, tighter financial conditions and concerns over energy and supply chains linked to the Ukraine war and ongoing pandemic disruptions. Price pressures meanwhile remained elevated at levels not seen prior to the pandemic, though a moderation of cost growth for a third successive month hinted at a peaking in the rate of inflation.

S&P Global Flash Eurozone PMI Composite Output Index



The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** fell from 54.8 in May to 51.9 in June, according to the early 'flash' reading. While the latest reading indicates an expansion of business activity for the sixteenth straight month, the rate of growth has moderated for two consecutive months to its lowest in the current sequence of expansion.

New orders for goods and services meanwhile stagnated, failing to rise for the first time since the recovery of demand began in March 2021.

Manufacturing led the deterioration, with output falling for the first time in two years. Although only modest in June, the rate of decline of factory output looks set to accelerate in July given a steepening loss of new orders received during the month. New orders for goods have now fallen for two consecutive months, with June seeing the sharpest decline since May 2020.

Growth meanwhile slowed sharply in the service sector, down to its lowest since January to signal a marked deterioration of performance of the sector over the past two months. Inflows of new business in the service sector likewise rose at a much softer pace, with growth down to the second-lowest since the revival of demand began in May of last year.

Looking into further detail within the service sector, June saw the record surge in growth of tourism and recreation enjoyed over April and May falter to a near stand-still. Companies blamed the rising cost of living and a fading of pandemic pent-up demand. The faltering of the consumer rebound in demand for services was accompanied by renewed falls in banking and real estate activity amid tightening financial conditions. Transportation and industrial services growth also slowed, in part reflecting the deteriorating manufacturing environment.

Factory output continued to be constrained by widespread supply shortages, often linked to the Ukraine war and China's lockdowns, but the overall incidence of delays continued to moderate. Average suppliers' delivery times consequently lengthened to the least extent since December 2020. However, this easing of supply delays could be in part traced to lower demand for inputs, which stalled in June, contrasting with surging growth seen

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throughout much of the past two years, in turn linked to the largest build-up of unsold warehouse inventories for over two years.

Overall jobs growth meanwhile moderated to a 13-month low in June as firms in both manufacturing and services scaled back their future expansion plans due to the harsher demand environment and deteriorating outlook.

Business expectations for the year ahead fell to the lowest since October 2020. Manufacturing expectations worsened especially markedly, down to the lowest since May 2020, but future expectations also fell in the service sector to the lowest since October 2020. The gloomier outlook reflected various factors, including headwinds from the rising cost of living, concerns over energy and food supply amid the Ukraine war, tightening financial conditions, ongoing supply chain shortages, often linked to China's lockdowns, and a broader diminishing of economic growth prospects.

Looking at prices, average charges for goods and services rose sharply again in June. Although the rate of inflation eased further from April's all-time high to the lowest since February, it remained significantly higher than anything seen prior to the pandemic over the survey's 25-year history. Rates of selling price inflation cooled in both manufacturing and services.

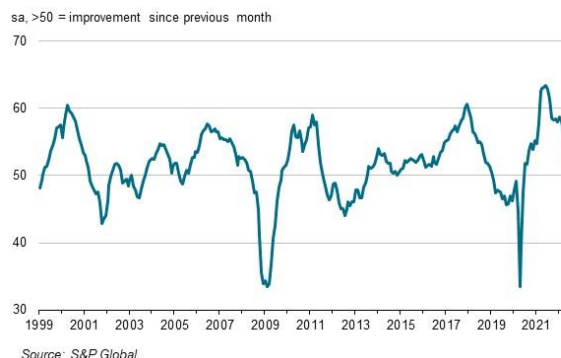
Input cost inflation also eased slightly, down for a third successive month, yet remained the fourth-highest recorded since comparable data were first available in 1998. Companies again reported upward cost pressures from energy prices, transportation, broad supplier-driven price hikes and rising wage pressures. There was a divergence by sector, however, with manufacturing reporting the weakest input cost rise since March 2021 while the service sector saw the rate of increase accelerate to the steepest since April, in part reflecting the pass-through of prior raw material and energy cost increases to wages.

Looking across the region, **Germany** reported the slowest expansion, with growth moderating sharply to the weakest since the marginal contraction seen last December, reflecting a renewed downturn of manufacturing output and slower service sector growth. Germany also notably reported a stronger rate of increase of input costs, linked to a record rise in the service sector.

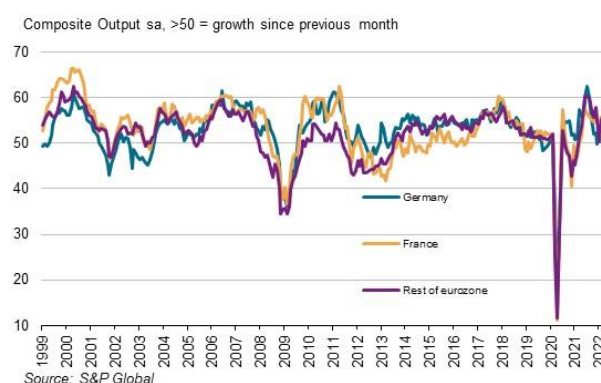
While growth in **France** outpaced that of Germany, it nevertheless fell sharply to the slowest since January. An especially sharp fall in French manufacturing output was accompanied by much-reduced service sector growth.

Output growth across the **rest of the eurozone** as a whole meanwhile also slowed further from April's recent peak, down to the lowest since January, thanks to a near-stalling of manufacturing output growth and the weakest service sector expansion in five months.

S&P Global Flash Eurozone Manufacturing PMI



Core v. Periphery PMI Output Indices



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

"Eurozone economic growth is showing signs of faltering as the tailwind of pent-up demand from the pandemic is already fading, having been offset by the cost of living shock and slumping business and consumer confidence."

"Excluding pandemic lockdown months, June's slowdown was the most abrupt recorded by the survey since the height of the global financial crisis in November 2008."

"The slowdown means the latest data signal a rate of GDP growth of just 0.2% at the end of the second quarter, down sharply from 0.6% at the end of the first quarter, with worse likely to come in the second half of the year. Inflows of new business have stalled, led by a slump in demand for goods and reduced demand for services from cash-strapped consumers in particular."

"At the same time, business confidence has fallen sharply to a level rarely seen prior to the pandemic since the region's economic contraction during the 2012, hinting at an imminent downturn unless demand revives."

"Rising levels of unsold stocks meanwhile mean the manufacturing sector will likely seek to reduce capacity in coming months which, alongside the deteriorating picture in the service sector and drop in confidence, will inevitably hit jobs growth."

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“Persistent inflationary pressures add to the woes. The survey’s price gauges, which correctly anticipated the recent surge in inflation, remain elevated at levels not seen in the history of the eurozone prior to the pandemic, with a worrying increase in costs growth in the service

sector. However, the recent cooling of demand is already showing signs of calming goods prices, bringing a tentative hint of a peaking of inflation in the near future.”

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Note to Editors

Final June data are published on 1 July for manufacturing and 5 July for services and composite indicators.

The Eurozone 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 companies based in the euro area manufacturing and service sectors. 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 flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI 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
Composite Output Index ¹	0.0	0.3
Manufacturing PMI ²	0.0	0.2
Services Business Activity Index ²	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.

Notes

1. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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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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