News Release

MARKET SENSITIVE INFORMATION
Embargoed until 1000 CEST (0800 UTC) 5 October 2022

S&P Global Eurozone Composite PMI®

Private sector output falls at sharpest rate since January 2021

Key findings:

Final Eurozone Composite Output Index at 48.1 (Aug: 48.9). 20-month low.

Final Eurozone Services Business Activity Index at 48.8 (Aug: 49.8). 19-month low.

Data were collected 12-27 September

Private sector business activity across the euro area fell at the sharpest pace since January 2021 in September, extending the downturn into a third straight month. Output in both the manufacturing and service sectors fell at a quicker rate as high inflation, soaring energy costs, rising economic uncertainty and weakening demand drove the euro area economy into a deeper contraction. Total new orders fell to the greatest extent in almost two years, while a considerable drop was seen in export sales.

Employment growth continued to slow in September, reflecting a lack of incoming new work and a sustained drop in the level of outstanding business.

For the first time since March, cost pressures intensified, primarily reflecting sharply rising energy costs and higher wages. Concerns surrounding the economic outlook grew, with business confidence slumping to its lowest level since the first COVID-19 wave in 2020.

The seasonally adjusted **S&P Global Eurozone Composite PMI Output Index** posted below the crucial 50.0 mark in September for a third successive month, signalling a sustained downturn in business activity across the euro area private sector. At 48.1, this was down from 48.9 in August and pointed to the fastest decline in output since January 2021.

Sector data revealed another broad-based decrease at the end of the third quarter, with contractions accelerating at both manufacturers and service providers. The downturn was stronger at goods producers as high energy costs, ongoing issues with input availabilities and order cancellations impeded production volumes at eurozone factories. Nevertheless, high inflation was also a notable hindrance to services companies during the month.

Overall intakes of new business fell for a third straight month in September, and the rate of decline was the strongest since November 2020.

Countries ranked by Composite PMI Output Index: September

Ireland	52.2	2-month high
France	51.2 (flash: 51.2)	2-month high
Spain	48.4	8-month low
Italy	47.6	20-month low
Germany	45.7 (flash 45.9)	28-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.

Of the monitored eurozone constituents, only two saw private sector output grow in September. In Ireland, the rate of expansion edged up slightly. France also recorded an improvement in activity levels, but one that was weak overall and significantly softer than those seen earlier in 2022 following the lifting of COVID-19 restrictions.

Elsewhere, economic trends worsened in September. Spain recorded its first decrease in business activity since January, while the downturn in Italy accelerated. In Germany, private sector output levels fell at a rate which, excluding pandemic-hit months, was the sharpest since the global financial crisis in 2008-09.

A key factor pulling back demand was inflation, according to surveyed companies. This was especially evident in the manufacturing sector, where factory orders dropped at the quickest pace in almost two-and-a-half years. Overall cost pressures intensified during September, marking the first month in which inflation has accelerated since March. This primarily stemmed from energy prices, although mentions of rising material prices and wages were also seen. In response, selling prices were raised once again in

September. The rate of output price inflation was the strongest for three months as companies opted to pass higher cost burdens on to their clients.

In another sign of growing economic weakness, demand for euro area goods and services from non-domestic customers* also fell at a considerable pace in September. Overall, new export business declined at the strongest pace since June 2020.

Business confidence across the euro area sank to its lowest level since the initial outbreak of COVID-19 amid growing fears of recession, concerns around a prolonged period of high inflation and the prospect of further spikes in energy costs. The outlook was particularly gloomy among manufacturers, who were pessimistic as a whole towards the next 12 months.

Lower business confidence fed through to hiring decisions in September, with the rate of job creation across the euro area slowing to an 18-month low. Backlogs of work also fell further as lower new business intakes enabled firms clear some of their outstanding business.

**includes intra-eurozone trade*

S&P Global Eurozone Services PMI®

The S&P Global Eurozone Services PMI Business Activity Index fell to 48.8 in September, down from 49.8 in August to its lowest level since February 2021. Overall, this marked back-to-back monthly decreases in services activity across the euro area.

The volume of incoming new business continued to fall at the end of the third quarter. The rate of decrease was unchanged from August, which was the sharpest in a year-and-a-half. Nonetheless, the rate of contraction was modest overall.

Weak demand conditions were underscored by a renewed reduction in backlogs of work. Latest survey data signalled the first drop in outstanding business volumes since March 2021. Employment levels continued to rise across the euro area service sector, although the rate of job creation was the joint-slowest since April 2021.

Meanwhile, price pressures intensified in September. Rates of input cost and output charge inflation accelerated to three-month highs. Lastly, business confidence slumped to a level unseen since the start of the COVID-19 pandemic.

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

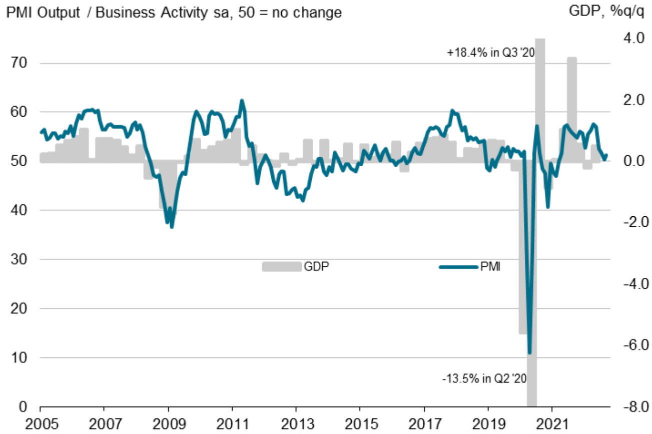
"Any hopes of the eurozone avoiding recession are further dashed by the steepening drop in business activity signalled by the PMI. Not only is the survey pointing to a worsening economic downturn, but the inflation picture has also deteriorated, meaning policymakers face an increasing risk of a hard landing as they seek to rein in accelerating inflation.

"Business activity has now deteriorated for three successive months, indicating falling GDP, with the rate of decline gathering momentum over the third quarter. A worsening of business expectations for the months ahead and a worryingly steep loss of orders currently point to an even sharper decline in GDP in the fourth quarter.

"Soaring inflation, linked to the energy crisis and war in Ukraine, is destroying demand at the same time that business confidence is slumping to levels not seen since the region's debt crisis in 2012, excluding pandemic lockdowns. Companies and households alike are therefore cutting back on discretionary spending and investment in preparation for a harsh winter."

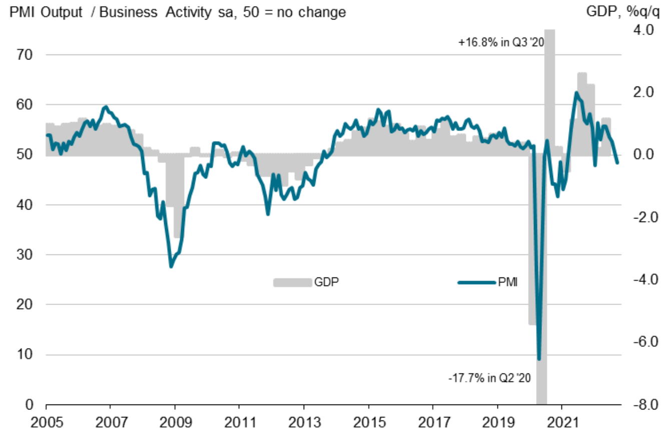
-Ends-

France



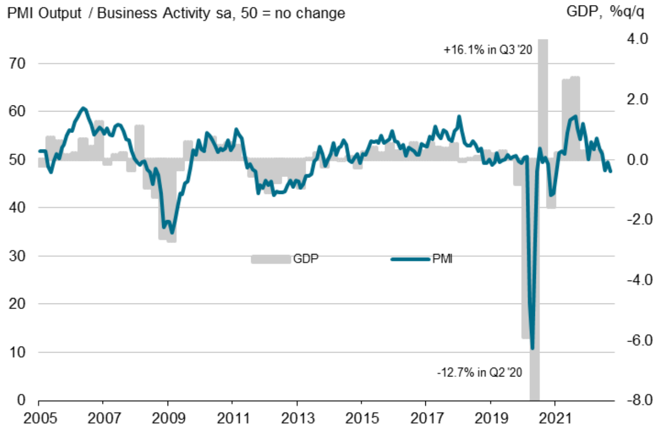
Source: S&P Global, INSEE GDP = gross domestic product

Spain



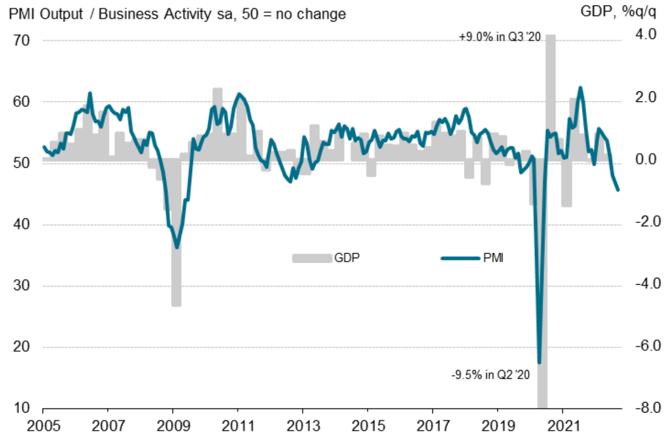
Source: S&P Global, INE. GDP = gross domestic product

Italy



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

Germany



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

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

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