

S&P Global Eurozone Composite PMI®

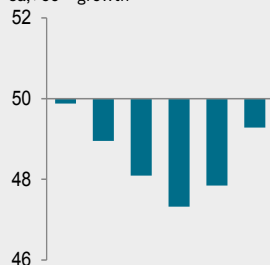
Eurozone downturn eases in December as price pressures cool

49.3

EUROZONE
COMPOSITE OUTPUT
INDEX
DEC '22

Composite Output Index

Jul - Dec '22
sa, >50 = growth



Eurozone Services PMI Business Activity Index, December '22: 49.8

Eurozone Manufacturing PMI Output Index, December '22: 47.8

Eurozone Manufacturing PMI, December '22: 47.8

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.

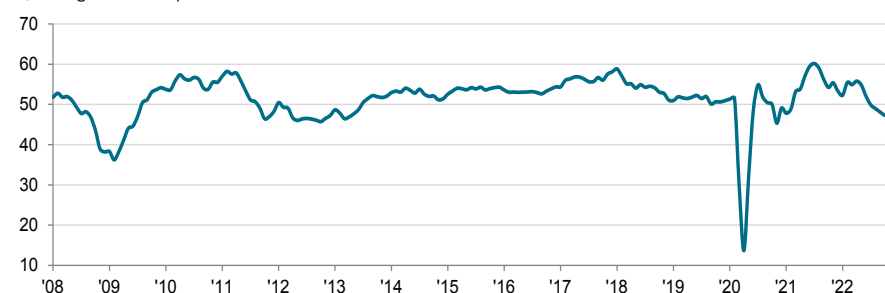
Manufacturing was once again the principal drag on overall output during December, although services activity also continued to fall. These decreases extended their respective sector-level downturns into a seventh and fifth consecutive month respectively. Nevertheless, rates of decline moderated in both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

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

sa, >50 = growth since previous month



PMI®

by S&P Global

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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.

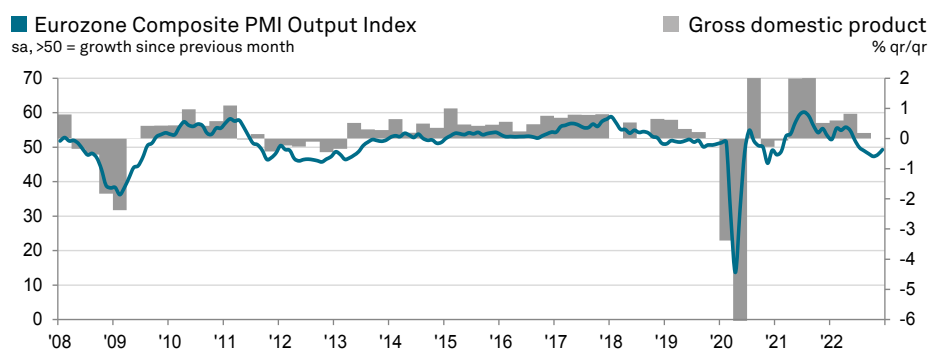
Helping to reduce capacity pressures was a further expansion in staffing levels in December, extending the current run of

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



Sources: S&P Global, Eurostat.

Comment

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.”

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S&P Global Eurozone Services PMI®

Services activity signals just a marginal decline while inflation rates ease and business confidence moves slightly higher

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.

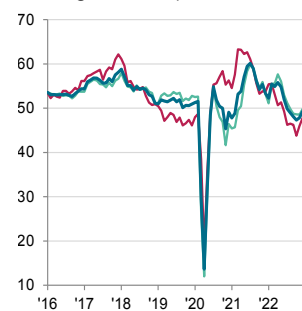
S&P Global Eurozone Services PMI Business Activity Index
sa, >50 = growth since previous month



- Composite
- Manufacturing
- Services

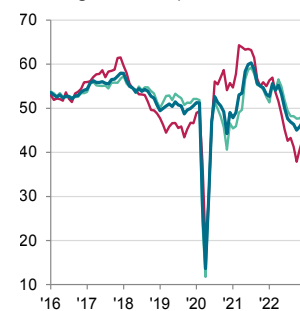
Output Index

sa, >50 = growth since previous month



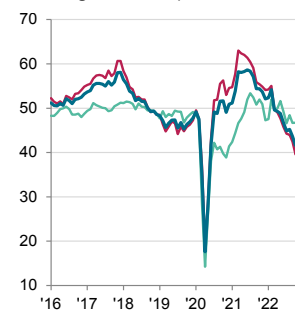
New Business Index

sa, >50 = growth since previous month



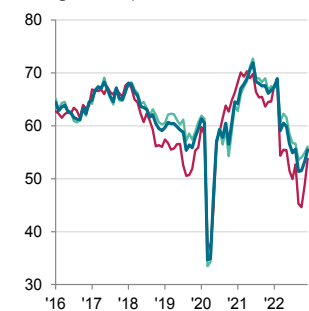
New Export Business Index

sa, >50 = growth since previous month



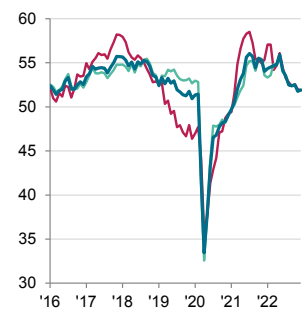
Future Output Index

>50 = growth expected over next 12 months



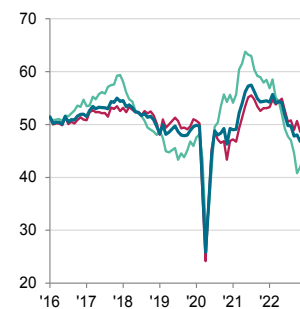
Employment Index

sa, >50 = growth since previous month



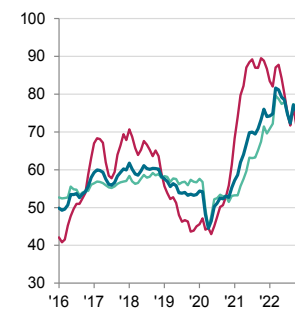
Outstanding Business Index

sa, >50 = growth since previous month



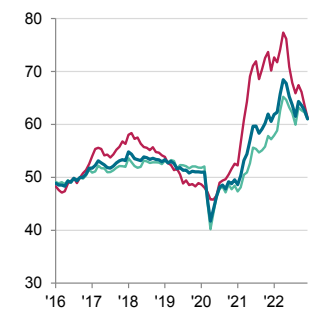
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



S&P Global Eurozone Manufacturing PMI®

Manufacturing downturn eases further as supply conditions stabilise and inflation cools

The intensity of the eurozone manufacturing sector downturn eased in the final month of 2022 as softening inflationary pressures and more stable supply-chain conditions created some respite for goods producers. Weakness in client demand remained evident through slumping new order intakes, leading firms to make further inroads into their backlogs instead. Meanwhile, additional increases in pre- and post-production inventories were seen during December despite purchasing activity and production volumes falling. Nevertheless, employment growth continued, while business confidence also edged up to a seven-month high.

The S&P Global Eurozone Manufacturing PMI® posted below the 50.0 no-change mark in December for a sixth successive month, indicating a deterioration in business conditions facing goods producers across the euro area. However at 47.8, this was up from 47.1 in November and its highest reading for three months, signalling a softer downturn.

Market groups data showed continued deteriorations across consumer and intermediate goods makers, while capital goods producers recorded a marginal improvement.

All of the monitored eurozone constituents (which together account for an estimated 89% of eurozone manufacturing activity) registered a Manufacturing PMI below the crucial 50.0 mark in December, signalling broad-based weakness. That said, downturns eased with the exception of Greece, which saw a sharper decline in December,

Eurozone manufacturing output fell in December, marking a seventh successive month of contraction. That said, the decrease was only moderate and the weakest since June. The drop in production coincided with a further slump in new order inflows as demand for eurozone goods remained generally subdued. In line with the trend in output, the decline in factory sales weakened since November and was the softest in four months. A slower fall in new export business¹ also helped to alleviate the downturn in overall order books.

In the absence of new business growth, eurozone manufacturers turned attention to their incomplete workloads. The latest survey data pointed to a sharp monthly fall in backlogs in December. Eurozone goods producers subsequently tapered their hiring activity, with the rate of job creation slowing to a 22-month low.

To adjust to lower demand, eurozone manufacturers cut their purchases of raw materials and other components at the end of the year. The reduction was steep, but the slowest in three months. Falling input demand helped take pressure off suppliers, with average input lead times stabilising in December amid reports of improving raw material availability.

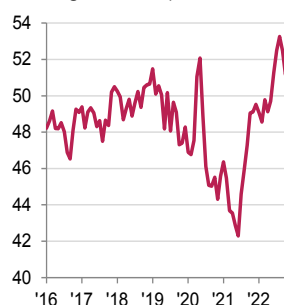
S&P Global Eurozone Manufacturing PMI

sa, >50 = improvement since previous month



Stocks of Finished Goods Index

sa, >50 = growth since previous month



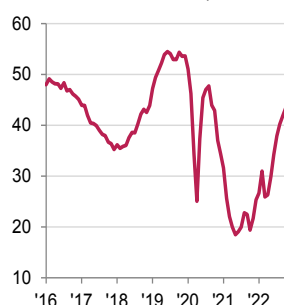
Quantity of Purchases Index

sa, >50 = growth since previous month



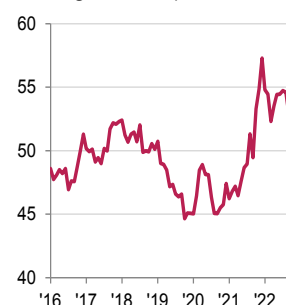
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

sa, >50 = growth since previous month

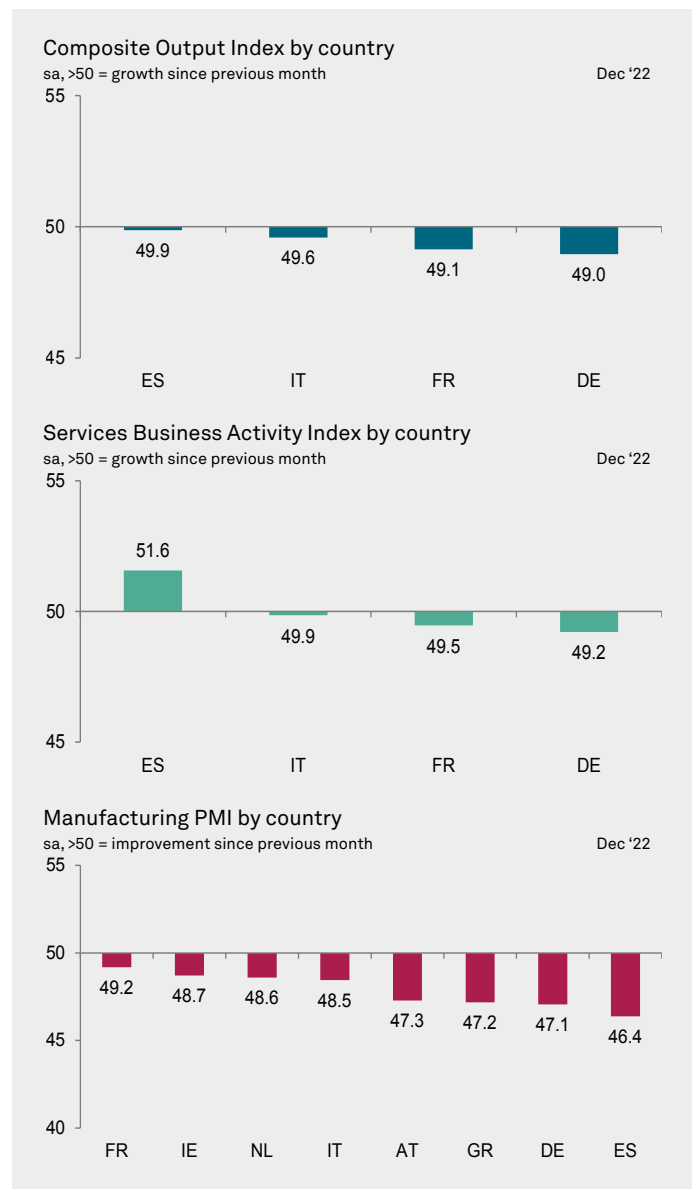


Stocks of purchases also increased in December, despite the sharp drop in purchasing activity. The rate of accumulation was only marginal and the weakest in 15 months. Meanwhile, following the historically strong expansions in post-production inventories seen in recent months, December data showed the weakest increase over the current seven-month sequence.

Inflationary pressures eased across the euro area manufacturing sector in December. The rate of input cost inflation was still sharp, but the weakest since November 2020. Output charges were subsequently raised to a weaker extent as some companies chose to pass through lower expenses to their clients. Overall, the increase in selling charges was the slowest since March 2021.

Finally, business confidence improved for a second month in a row, rising further from October's two-and-a-half-year low. In fact, future output expectations moved back into optimistic territory for the first time since August. Nevertheless, business sentiment remained historically subdued as inflation, high energy bills and recession risks clouded the outlook.

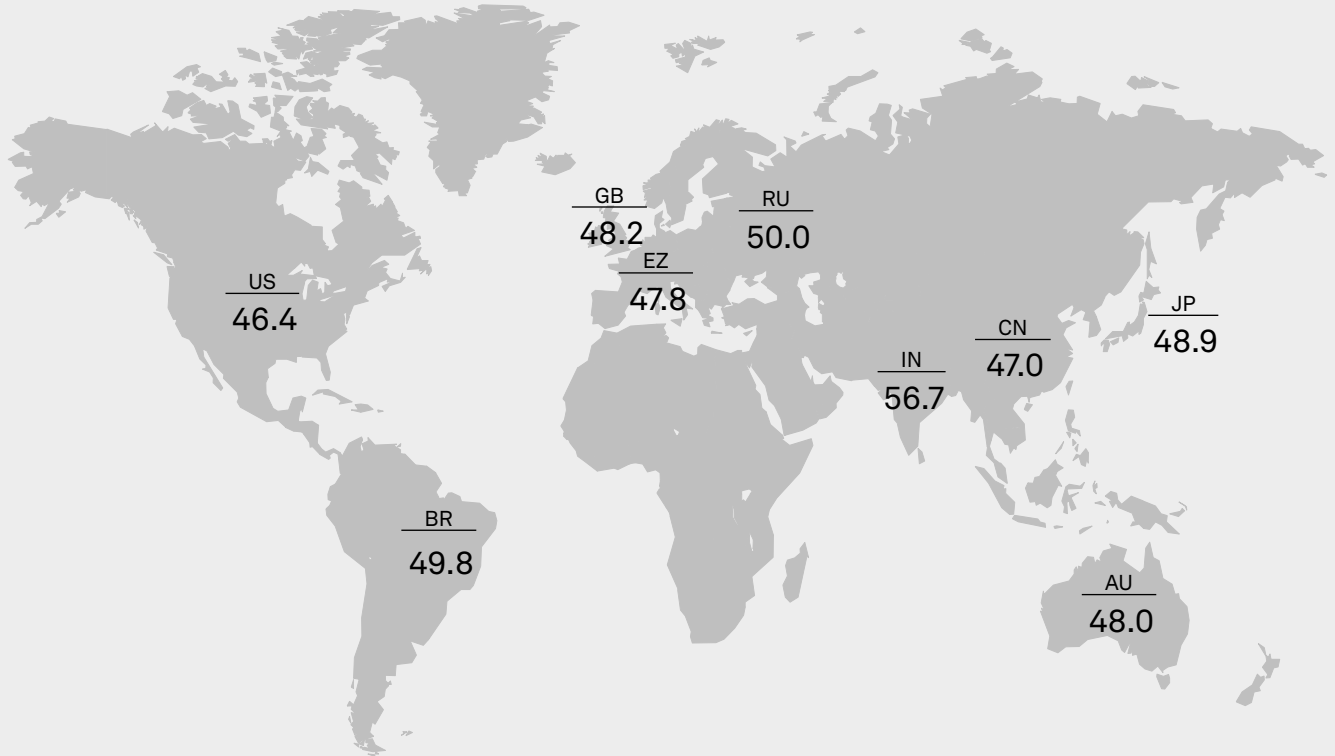
¹ Includes intra-eurozone trade



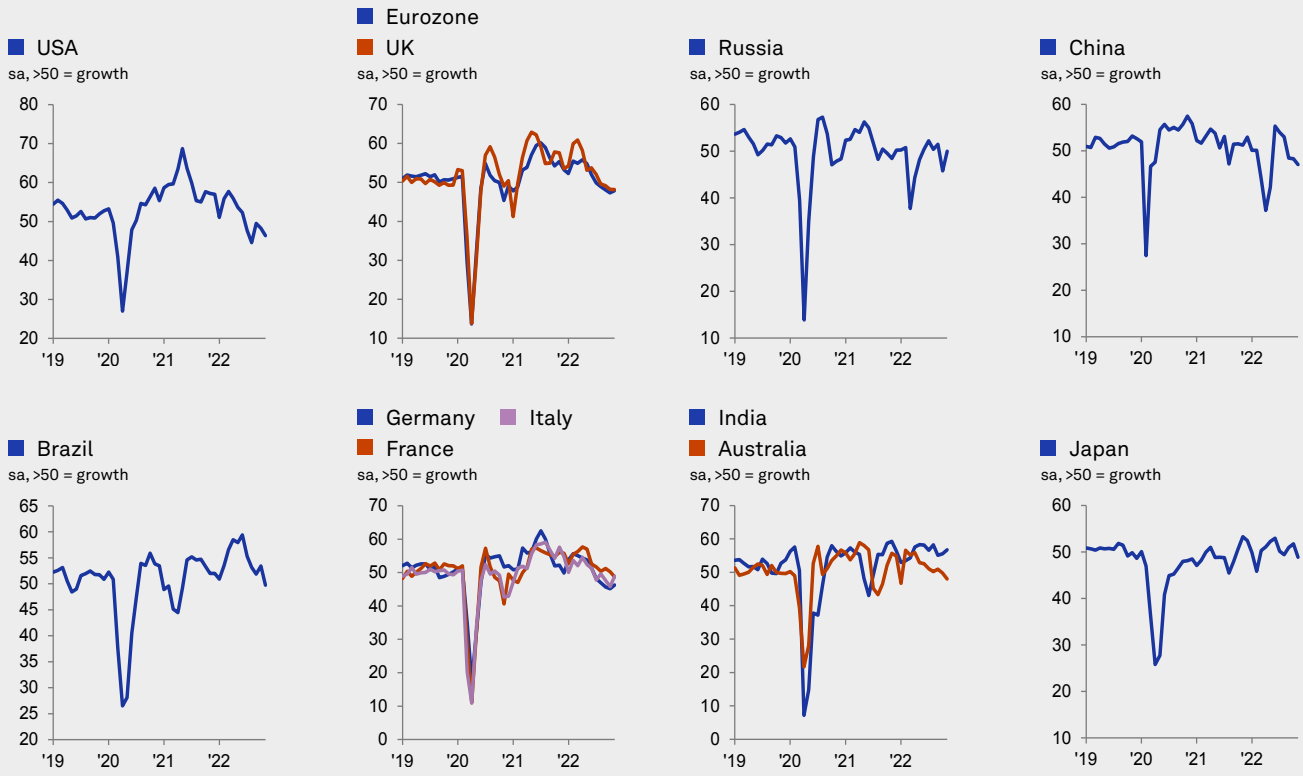
International PMI

Composite Output Index, Nov '22
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index



Survey methodology

The S&P Global Eurozone Composite PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of manufacturers in Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece, and of service providers in Germany, France, Italy, Spain and Ireland, totalling around 5,000 private sector companies. The panels are each stratified by detailed sector and company workforce size, based on contributions to each country's GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each manufacturing and services survey variable, at the country level. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Eurozone level indices for manufacturing and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Composite eurozone level indices are calculated by weighting comparable manufacturing and services indices using eurozone manufacturing and services annual value added*.

The headline composite figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

*Source: Eurostat.

Survey questions

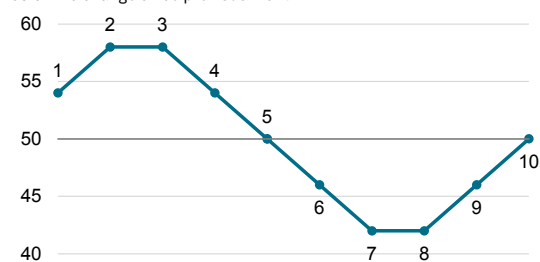
Services sector	Manufacturing sector
Business Activity	Output
New Business	New Orders
New Export Business	New Export Orders
Future Activity	Future Output
Employment	Employment
Outstanding Business	Backlogs of Work
-	Stocks of Finished Goods
-	Quantity of Purchases
-	Suppliers' Delivery Times
-	Stocks of Purchases
Input Prices	Input Prices
Prices Charged	Output Prices

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change" }) / 2$$

Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

Survey dates

Data were collected 05-20 December 2022.

Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.3 codes:

SERVICES

55	Hotels & Restaurants
60	Land Transport and Pipelines
61	Water Transport
62	Air Transport
63	Supporting Transport Activities
64	Post and Telecommunications
65	Banking
66	Insurance and Pensions
67	Other Financial Services
70	Real Estate
71	Renting of Goods

72	Computer Services
73	Research and Development
74	Other Business Activities
80	Education
85	Health Care
91	Membership Organisations
92	Recreational, Cultural and Sporting Activities
93	Other Service Activities

MANUFACTURING

15	Food and beverages
16	Tobacco products

17	Textiles
18	Wearing apparel
19	Leather and related products
20	Wood and wood products
21	Paper and paper products
22	Printing and reproduction of recorded media
23	Coke and refined petroleum products
24	Chemicals and chemical products
25	Rubber and plastic products
26	Other non-metallic mineral products
27	Basic metals

28	Fabricated metal products
29	Machinery and equipment n.e.c.
30	Office machinery and computers
31	Electrical equipment
32	Communication equipment
33	Medical, precision and optical instruments
34	Motor vehicles, trailers and semi-trailers
35	Other transport equipment
36	Other manufacturing

Index summary

Composite (manufacturing and services)

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Output	New Business	New Export Business	Future Output*	Employment	Outstanding Business	Input Prices	Output Prices
07/22	49.9	47.6	44.9	54.9	53.5	49.8	74.8	63.7
08/22	48.9	46.9	45.2	55.6	52.5	49.8	72.3	61.5
09/22	48.1	46.3	43.6	51.4	52.4	47.8	77.1	64.3
10/22	47.3	45.0	41.6	51.5	52.5	48.0	75.6	63.6
11/22	47.8	45.8	43.0	53.3	51.8	46.8	71.7	62.7
12/22	49.3	47.0	44.1	55.5	51.9	47.6	68.9	61.1

Services

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
07/22	51.2	49.5	46.6	56.8	53.6	50.5	74.7	62.1
08/22	49.8	48.2	48.4	56.6	52.4	50.8	72.5	59.9
09/22	48.8	48.2	46.7	53.6	52.4	49.0	77.4	63.2
10/22	48.6	47.7	46.7	54.1	52.5	50.7	76.9	62.7
11/22	48.5	47.7	46.7	54.9	51.7	48.6	74.3	62.3
12/22	49.8	48.4	47.5	56.1	51.9	49.0	71.8	61.0

Manufacturing

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	PMI	Output	New Orders	New Export Orders	Future Output*	Employment	Backlogs of Work	Stocks of Finished Goods	Quantity of Purchases	Suppliers' Delivery Times	Stocks of Purchases	Input Prices	Output Prices
07/22	49.8	46.3	42.6	44.2	49.9	53.3	47.7	52.5	54.4	37.9	54.7	74.8	67.9
08/22	49.6	46.5	43.3	44.0	52.7	52.8	47.0	53.3	50.8	40.2	54.6	71.7	65.9
09/22	48.4	46.3	41.3	42.4	45.3	52.4	44.6	52.5	46.5	41.8	53.0	76.5	67.4
10/22	46.4	43.8	37.9	39.6	44.6	52.6	40.8	51.2	46.6	43.4	51.3	72.0	66.1
11/22	47.1	46.0	40.7	41.6	48.8	52.0	41.9	51.7	44.7	47.5	51.1	64.5	63.6
12/22	47.8	47.8	43.1	42.8	53.8	51.9	43.7	50.4	40.9	50.0	50.3	61.0	61.2

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PMI®

by **S&P Global**

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. ihsmarkit.com/products/pmi.html.