

S&P Global Eurozone Composite PMI®

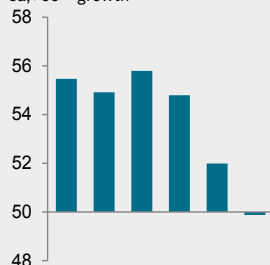
Eurozone slips into contraction at beginning of third quarter

49.9

EUROZONE
COMPOSITE OUTPUT
INDEX
JUL '22

Composite Output Index

Feb '22 - Jul '22
sa, >50 = growth



Eurozone Services PMI Business Activity Index, July '22: 51.2

Eurozone Manufacturing PMI Output Index, July '22: 46.3

Eurozone Manufacturing PMI, July '22: 49.8

For the first time since February 2021, eurozone output declined in July as a deepening manufacturing downturn was accompanied by a further slowdown in the service sector. There were also additional signs of the negative impact that high inflation was having on demand as overall new business intakes fell at a rate which, excluding those seen during COVID-19 lockdowns, was the steepest since May 2013.

There was however a slight cooling of inflationary pressures during July, although rates of increase in both input costs and output prices were faster than anything seen prior to their recent highs.

Further evidence of economic weakness was also seen in new export orders, which fell at the strongest pace for just over two years. Amid growing concerns surrounding future gas supply, risks of a recession in Europe and persistently high price pressures, business confidence fell in July to its weakest level since the initial outbreak of COVID-19 in the first half of 2020.

The seasonally adjusted S&P Global Eurozone PMI® Composite Output Index

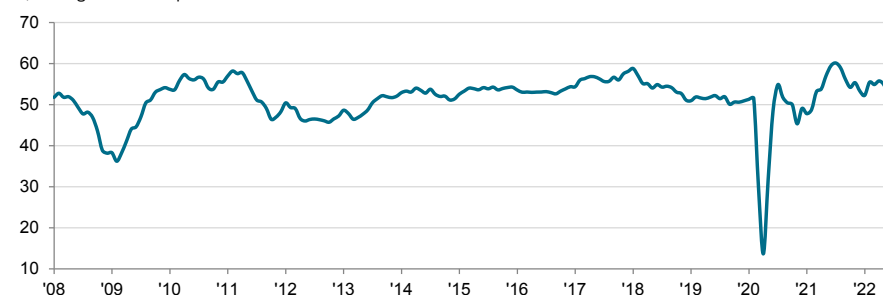
dipped below the 50.0 no-change mark in July. At 49.9, down from 52.0 in June, the latest reading pointed to the first reduction in private sector business activity since February 2021, albeit one that was fractional overall.

The manufacturing sector was a significant drag on the euro area economy during July as production volumes fell at the fastest rate since May 2020. Services activity continued to rise overall, but growth slowed to its weakest since the Omicron-related disruption at the start of the year. Survey respondents in both sectors highlighted the damaging impact that high inflation was having on output levels as businesses adjust to lower order volumes. Supply issues and growing uncertainty among client bases were also mentioned as negative factors.

Of the monitored euro area countries that data are available for, declines in Composite PMIs were registered across the board. Germany and Italy both saw overall output levels decline in July, with indices here slumping to 25- and 18-month lows respectively. France and Spain continued to grow at the beginning of the third quarter, although momentum

S&P Global Eurozone Composite PMI Output Index

sa, >50 = growth since previous month



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losses were seen in both cases. Spain only managed to record a moderate expansion in activity, and one that was the slowest in the current six-month sequence of growth. Meanwhile, French economic output increased at the weakest pace since April 2021.

Demand for euro area goods and services fell in July, marking the first reduction since February 2021. Falling new business receipts were reportedly a consequence of higher prices, with companies commenting on waning client appetite and growing hesitancy to spend as purchasing power came under pressure. Excluding reductions seen during the pandemic and in periods of lockdown, the fall in new orders was the strongest in just over nine years. There was also a steeper drop in export demand during July as new business from abroad* declined at the quickest pace in just over two years.

With new orders falling at a faster rate than output, latest survey data highlighted a reduction in capacity pressures as backlogs of work fell for the first time since February 2021. Sector data showed that this decline was exclusively driven by manufacturers, although services companies registered a slower uptick in

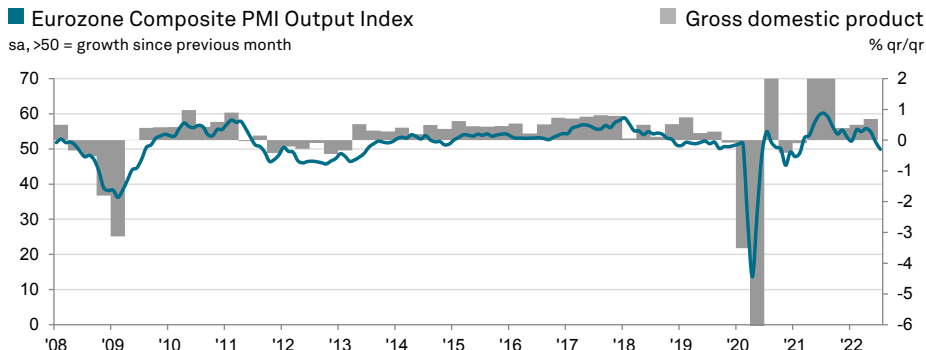
outstanding business volumes.

Meanwhile, eurozone employment exhibited a degree of resilience at the start of the third quarter as the rate of private sector jobs growth continued to run above its historical average (dating back to 1998). Efforts to address staff shortages underpinned hiring activity, according to some companies. That said, the increase in workforce numbers was the slowest in 15 months.

The softer employment trend coincided with retreating business confidence across the euro area. Future output expectations slumped to their weakest since the initial COVID-19 lockdowns in the first half of 2020. The war in Ukraine, concerns surrounding future gas supply, high inflation and recession risks were all cited as reasons underpinning downbeat sentiment.

Finally, inflationary pressures remained historically elevated in July, although there was a slight moderation in rates of increase for input costs and output prices, as both rose to the softest extents since February.

*includes intra-eurozone trade



Sources: S&P Global, Eurostat.

Comment

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence said:

“The eurozone economic outlook has darkened at the start of the third quarter, with the latest survey data signalling a contraction of GDP in July. Soaring inflation, rising interest rates and supply worries – notably for energy – have led to the biggest drops in output and demand seen for a almost a decade, barring pandemic lockdown months.

“A much hoped-for surge in consumer spending after the easing of pandemic restrictions is being thwarted as households grow increasingly concerned about the rising cost of living, meaning discretionary spending is being diverted to essentials such as food, utility bills and loan repayments. At the same time, business spending is being subdued by increased caution and risk aversion amid the gloomier economic outlook.

“Some encouragement can be gleaned

from the drop in price pressures signalled by the survey, which should feed through to lower inflation in the coming months. However, this easing of inflation could fail to materialise if energy prices spike higher as we head towards the winter. Companies are also concerned that energy restrictions may also potentially lead to further constraints on economic activity, leading to new supply problems and fueling further price hikes.”

S&P Global Eurozone Services PMI®

The Eurozone Service growth eased further in July while business confidence dropped to 21-month low

The S&P Global Eurozone PMI Services Business Activity Index posted 51.2 in July, down from 53.0 in June and indicative of the slowest increase in service sector output since January. A fading post-pandemic restrictions bounce and cooling demand pressures reportedly drove the weaker expansion at the start of the third quarter.

For the first time since April 2021, incoming new business at eurozone services firms fell. Panel members frequently commented on higher prices as a reason for lower demand. New business from overseas clients also fell, with the decline gathering pace to the quickest since March 2021.

Services companies meanwhile registered a slower rise in backlogs of work, with outstanding business volumes increasing only marginally as weaker demand enabled firms to reduce some strain on their capacities. Employment continued to increase, albeit at the softest rate in five months.

On the prices front, surveyed businesses were once again faced with elevated cost pressures. Firms continued to share the burden of higher costs with clients as selling prices were increased further. However, rates of inflation eased in both instances.

Lastly, business confidence slumped to a 21-month low in July amid concerns regarding the underlying strength of the euro area and global economy.

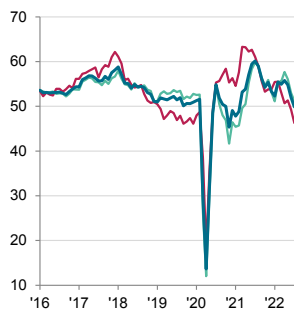
S&P Global Eurozone Services PMI Business Activity Index
sa, >50 = growth since previous month



■ Composite
■ Manufacturing
■ Services

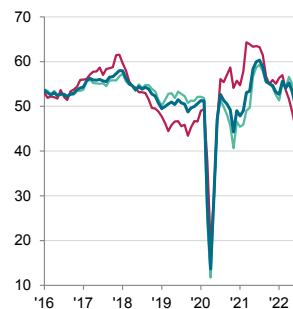
Output Index

sa, >50 = growth since previous month



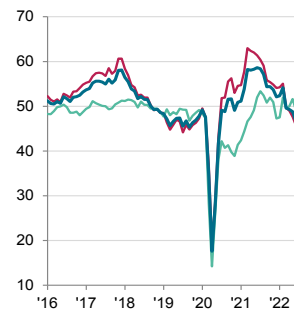
New Business Index

sa, >50 = growth since previous month



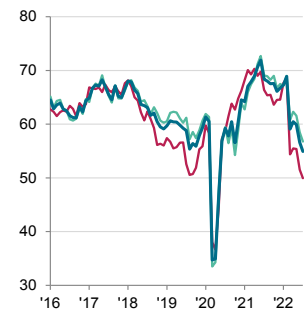
New Export Business Index

sa, >50 = growth since previous month



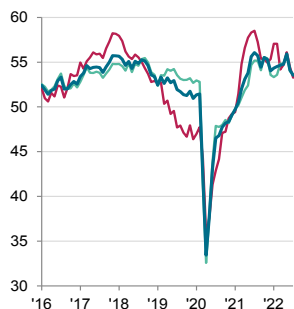
Future Output Index

>50 = growth expected over next 12 months



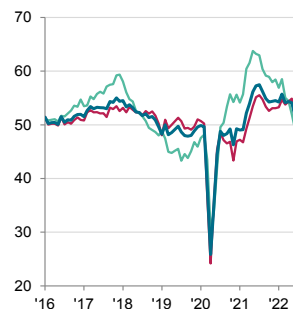
Employment Index

sa, >50 = growth since previous month



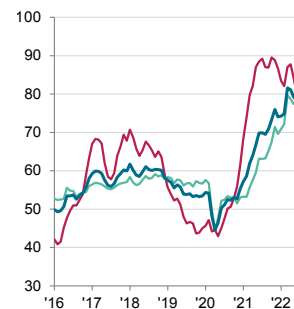
Outstanding Business Index

sa, >50 = growth since previous month



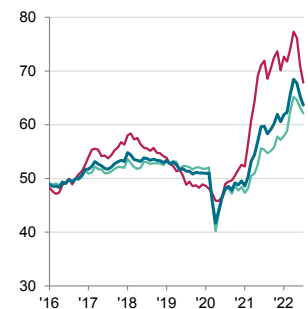
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



S&P Global Eurozone Manufacturing PMI®

Eurozone manufacturing downturn worsens in July as recession risks intensify

The eurozone manufacturing sector fell deeper into contraction at the start of the third quarter, with July PMI® data signalling the sharpest decline in production since the initial wave of strict COVID-19 lockdowns in May 2020. The downturn strengthened amid a reduction in new orders which, aside from those seen during the pandemic restrictions, was the sharpest since the eurozone sovereign debt crisis in 2012 as steep inflation squeezed demand.

That said, there was some alleviation of price pressures during July as both input cost and output price inflation rates slowed to 17- and 15-month lows respectively. Nevertheless, the year-ahead outlook for manufacturing output dipped into pessimistic territory for the first time since May 2020 due to concerns surrounding supply chains, the war in Ukraine and the economy.

The S&P Global Eurozone Manufacturing PMI® fell below the crucial 50.0 mark in July to 49.8, from 52.1 in June, signalling the first deterioration in overall manufacturing sector conditions for just over two years. With the exception of stocks of purchases, each of the PMI's sub-components had a negative directional influence on the measure.

The stronger downturn at the aggregate euro area level reflected deteriorating manufacturing sector conditions across the largest economies in the single currency zone. Germany, France, Italy and Spain all recorded sub-50.0 readings in their respective headline Manufacturing PMIs during July. Greece also recorded in contraction territory, the first time in just over a year-and-a-half this has been the case.

The Netherlands was the top-performing constituent at the start of the third quarter, although here growth slumped to a 20-month low, while only Austria registered a higher PMI reading than in June and one indicative of only modest expansion.

For the second month running, euro area manufacturing output fell during July. The rate of decline accelerated and was the sharpest since the early stages of the pandemic in May 2020. Supply shortages continued to hinder factory operations according to firms, although others noted an uptick in staff absences due to COVID-19. With the exception of the Netherlands, all monitored euro area countries saw production levels drop during July.

Another major drag on output was demand, with new orders falling sharply. In fact, excluding declines seen throughout the pandemic, manufacturing order book volumes decreased at the strongest rate since the eurozone sovereign debt crisis in 2012. Survey respondents frequently highlighted the destructive impact that inflation was having on their new business receipts. Sufficient inventory levels at clients due to past stockpiling efforts also weighed on demand

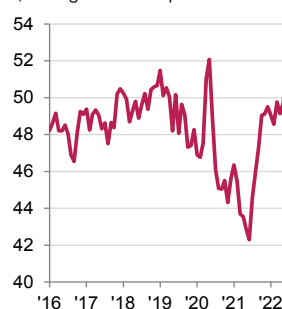
S&P Global Eurozone Manufacturing PMI

sa, >50 = improvement since previous month



Stocks of Finished Goods Index

sa, >50 = growth since previous month



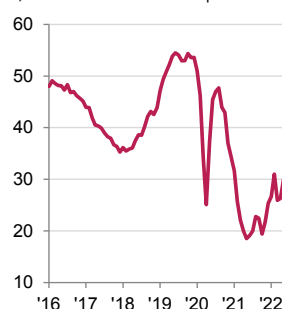
Quantity of Purchases Index

sa, >50 = growth since previous month



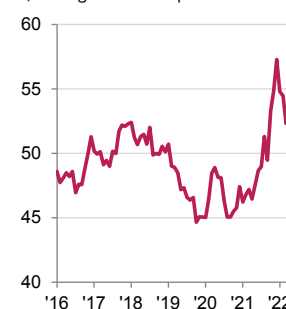
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

sa, >50 = growth since previous month



conditions, according to some companies. New export orders* similarly fell, and at a sharper rate during July.

Meanwhile, latest survey data highlighted stronger stockpiling at the start of the third quarter, with both pre- and post-production inventory levels rising at faster rates. In fact, stocks of finished goods rose at the fastest rate in 25 years of data collection during July. However, anecdotal evidence suggests these increases were not fully intentional, with firms mentioning order cancellations from clients and the delivery of items with long lead times.

Purchasing activity was subsequently reduced, marking the first decrease in input buying in just under two years.

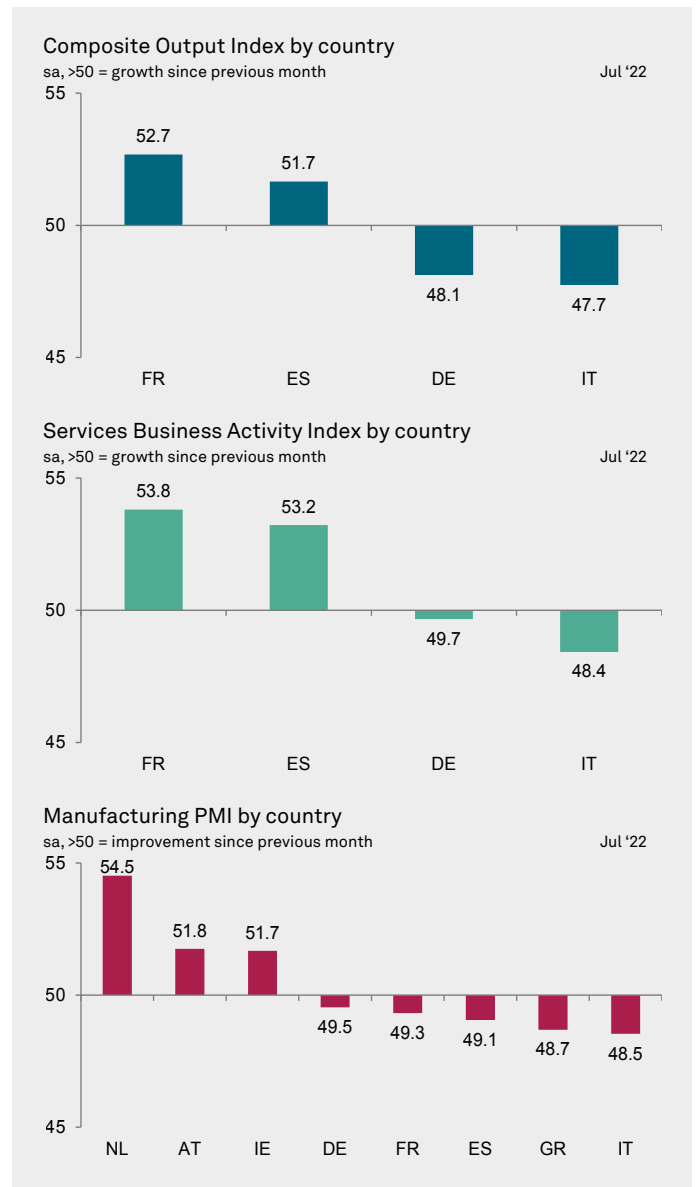
There were also some further tentative signs of supply-chain pressures alleviating slightly as delivery times lengthened to the least marked extent since October 2020. Nevertheless, vendor performance continued to worsen sharply overall.

Abating pressures on production lines was also evidenced by backlogs of work data, which signalled the quickest reduction in outstanding orders since June 2020.

Employment continued to rise, albeit at the softest pace in almost a year-and-a-half.

Finally, euro area manufacturers turned pessimistic in their assessment towards growth prospects over the coming year as the Future Output Index dipped below the 50.0 mark. High inflation, the war in Ukraine, future energy supplies and recession fears were cited by firms as reasons for the negative outlook.

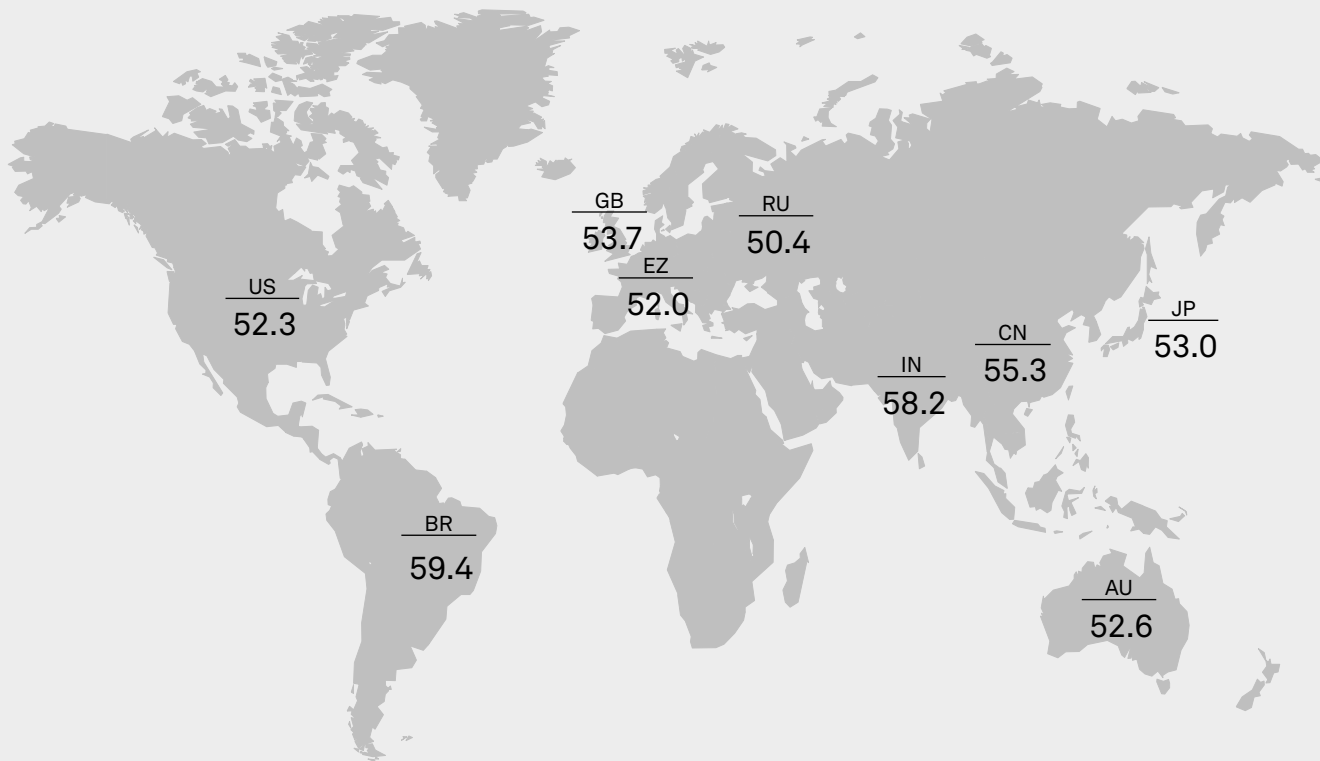
*Includes intra-eurozone trade



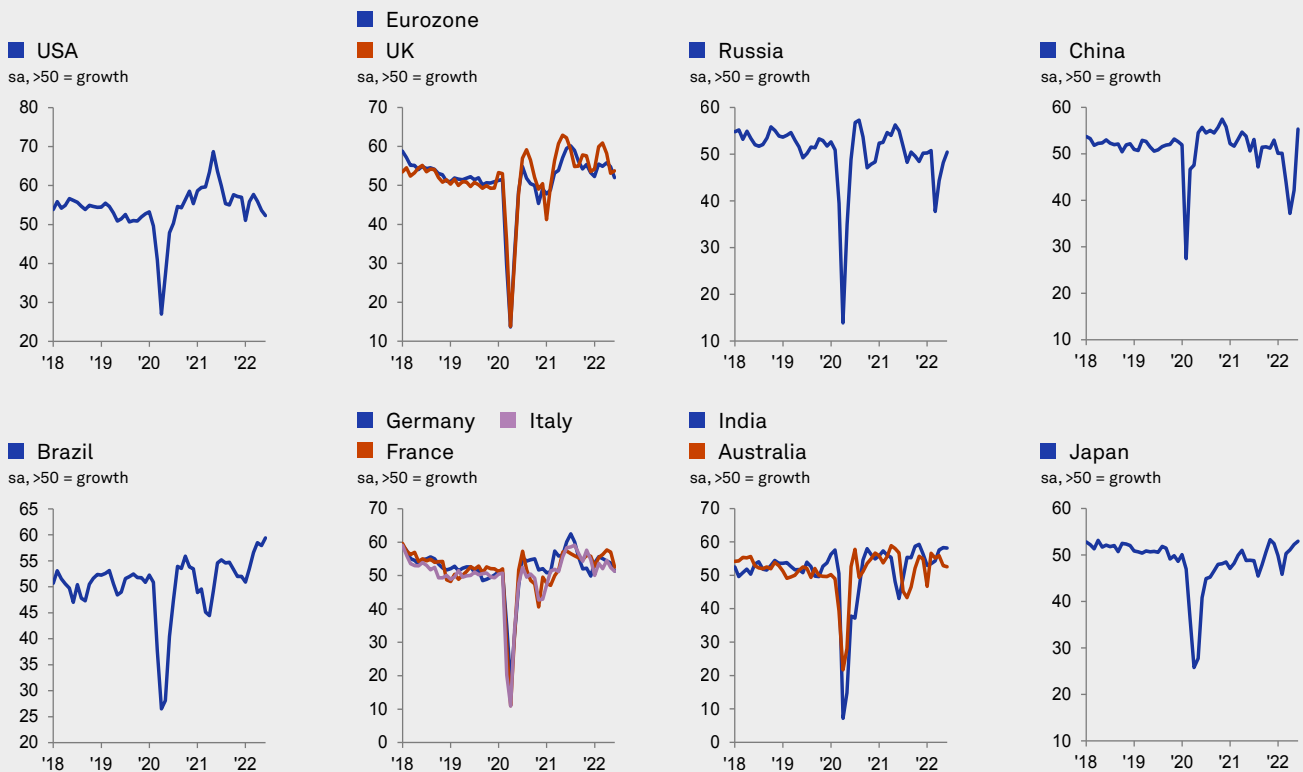
International PMI

Composite Output Index, Jun '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

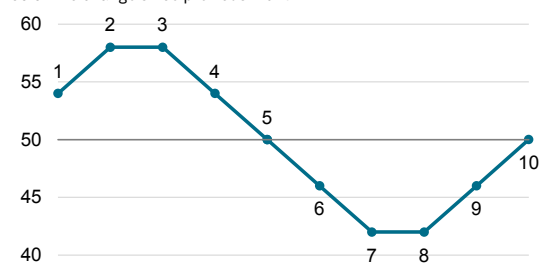
Services sector	Manufacturing sector
Business Activity	Output
New Business	New Orders
New Export Business	New Export Orders
Future Activity	Future Output
Employment	Employment
Outstanding Business	Backlogs of Work
-	Stocks of Finished Goods
-	Quantity of Purchases
-	Suppliers' Delivery Times
-	Stocks 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 11-26 July 2022.

Sector coverage

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

SERVICES	72 Computer Services	17 Textiles	28 Fabricated metal products
55 Hotels & Restaurants	73 Research and Development	18 Wearing apparel	29 Machinery and equipment n.e.c.
60 Land Transport and Pipelines	74 Other Business Activities	19 Leather and related products	30 Office machinery and computers
61 Water Transport	80 Education	20 Wood and wood products	31 Electrical equipment
62 Air Transport	85 Health Care	21 Paper and paper products	32 Communication equipment
63 Supporting Transport Activities	91 Membership Organisations	22 Printing and reproduction of recorded media	33 Medical, precision and optical instruments
64 Post and Telecommunications	92 Recreational, Cultural and Sporting Activities	23 Coke and refined petroleum products	34 Motor vehicles, trailers and semi-trailers
65 Banking	93 Other Service Activities	24 Chemicals and chemical products	35 Other transport equipment
66 Insurance and Pensions	MANUFACTURING	25 Rubber and plastic products	36 Other manufacturing
67 Other Financial Services	15 Food and beverages	26 Other non-metallic mineral products	
70 Real Estate	16 Tobacco products	27 Basic metals	
71 Renting of Goods			

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
02/22	55.5	55.6	54.2	68.9	54.5	55.7	74.8	62.3
03/22	54.9	54.1	49.6	59.1	54.7	54.1	81.6	65.7
04/22	55.8	55.2	49.3	60.5	54.8	54.4	81.1	68.5
05/22	54.8	53.3	48.8	59.9	55.9	54.1	79.2	67.7
06/22	52.0	50.0	46.7	56.6	54.1	51.8	78.5	65.3
07/22	49.9	47.6	44.9	54.9	53.5	49.8	74.8	63.7

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
02/22	55.5	55.1	52.0	69.0	53.6	54.7	72.2	58.8
03/22	55.6	54.2	49.5	60.8	54.8	53.8	79.6	62.6
04/22	57.7	56.6	50.0	62.3	54.8	54.3	78.7	65.2
05/22	56.1	55.0	51.6	61.6	55.9	54.9	77.4	64.6
06/22	53.0	51.8	49.2	58.5	54.0	52.7	77.9	63.2
07/22	51.2	49.5	46.6	56.8	53.6	50.5	74.7	62.1

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
02/22	58.2	55.5	57.0	55.0	68.5	57.1	58.5	48.6	58.0	31.0	54.4	82.0	71.7
03/22	56.5	53.1	53.7	49.7	54.4	54.2	55.0	49.8	58.7	25.9	52.3	87.0	74.2
04/22	55.5	50.7	51.6	49.0	55.5	54.7	54.5	49.1	58.6	26.3	53.5	87.7	77.3
05/22	54.6	51.3	48.7	47.7	55.4	56.1	52.0	49.7	55.7	29.9	54.4	84.2	76.2
06/22	52.1	49.3	45.2	45.8	51.5	54.5	49.3	51.3	54.4	34.2	54.5	80.0	70.9
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

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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. ihsmarkit.com/products/pmi.html.

PMI

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