

S&P Global Eurozone Composite PMI®

Eurozone business activity falls for second month running

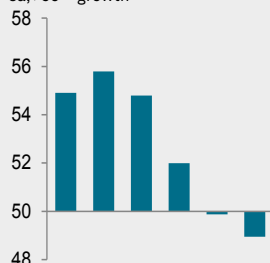
48.9

EUROZONE
COMPOSITE OUTPUT
INDEX
AUG '22

Composite Output Index

Mar '22 - Aug '22

sa, >50 = growth



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

Eurozone Manufacturing PMI Output Index, August '22: 46.5

Eurozone Manufacturing PMI, August '22: 49.6

Latest PMI® data suggested that the eurozone private sector moved further into contractionary territory during August as the service sector joined manufacturing in seeing output fall during the month. The decline was particularly marked in the euro area's largest economy, Germany.

Weakness in activity generally reflected falling demand, with new orders also down at a faster pace midway through the third quarter. Employment continued to rise, but the rate of job creation softened amid lower workloads and muted business confidence.

While remaining elevated, rates of inflation of both input costs and output prices continued to soften, providing some respite for firms.

The seasonally adjusted S&P Global Eurozone PMI Composite Output Index posted below the 50.0 no-change mark for the second month running in August, dipping to 48.9 from 49.9 in July. Although still only modest, the rate of contraction signalled in the latest survey period was more pronounced than that seen at the start of the third quarter.

The overall reduction in output reflected

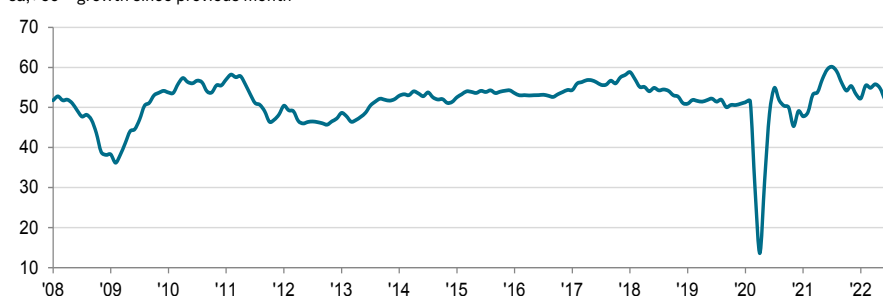
declining activity across both the manufacturing and services sectors in August, as services activity moved into contraction for the first time since March 2021. That said, the reduction in output at service providers was only marginal and much weaker than that seen for manufacturers, where production declined solidly again. Manufacturing output has now fallen in three consecutive months.

Falling activity was largely a function of a worsening demand environment, with steep inflationary pressures and associated cost of living concerns leading clients to hold off on buying decisions.

National PMI data indicated that Germany was the key driver of the overall decline in eurozone business activity, seeing output contract at a solid pace that was the steepest since the initial wave of the COVID-19 pandemic. The only other country to see activity decrease at the composite level was Italy, where output dropped for the second month running, albeit marginally in August. Although output continued to increase in France, Spain and Ireland, rates of expansion were only modest and slowed to the weakest in

S&P Global Eurozone Composite PMI Output Index

sa, >50 = growth since previous month



PMI®

by S&P Global

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17, seven and 18 months respectively.

New business across the euro area declined for the second month running in August, and at a sharper pace that was the most marked since November 2020. As was the case with output, both sectors posted reductions in new orders, with manufacturers seeing the steeper contraction. International demand also remained under pressure, with new export orders* decreasing for the sixth month running. In fact, the drop in new business from abroad was faster than that seen for total new orders.

Despite falls in activity and new business, companies across the eurozone expanded their workforce numbers again midway through the third quarter, largely reflective of continued efforts to rebuild capacity following the pandemic. Higher employment was seen across each of the monitored countries. That said, the overall rate of job creation softened for the third month running amid a weakening demand environment, with the latest rise in staffing

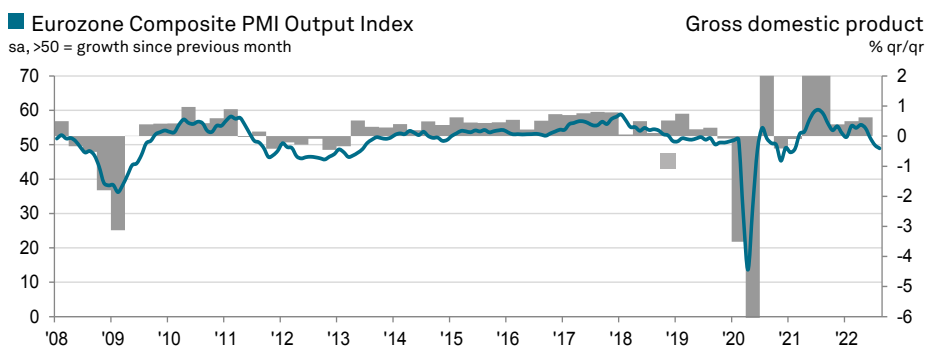
levels the slowest since March 2021.

A combination of higher employment and lower new orders meant that companies were able to keep on top of workloads, and backlogs of work decreased for the second month running as a result.

The rate of input cost inflation continued to ease from the series record posted in March, reaching the slowest in almost a year in August. That said, input prices continued to rise at a pace unprecedented prior to the current spike in inflation since the series began in 1998. Similarly, output prices increased at a softer pace, but one that was among the sharpest on record. Similar price trends were seen across the two monitored sectors.

Business expectations remained historically muted, despite a slight improvement in sentiment since July. A renewed positive outlook in manufacturing compared with services confidence ticking down to the lowest since October 2020.

*includes intra-eurozone trade



Comment

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

“A second month of deteriorating business conditions in the euro area adds to the likelihood of GDP contracting in the third quarter. August saw output fall at an increased rate, with companies and households scaling back their expenditures amid the recent surge in inflation and growing uncertainty about the economic outlook.

“The deterioration is also becoming more broad-based, with services now joining manufacturing in reporting falling output. Having led the growth spurt earlier in the year, consumer-

-facing services such as travel, tourism and recreation are now reporting falling activity levels as the rising cost of living pushes households to cut back on non-essential spending. Financial services (notably including real estate) are meanwhile feeling the squeeze from higher interest rates, and industrial services are seeing their manufacturing customers reduce their spending amid the downturn in demand for goods.

“Although the overall rate of decline remains only modest, commensurate with GDP falling at a quarterly rate of just 0.1%, the latest data point to the economy undergoing its weakest spell for nine years, excluding the downturns seen during the height of

the pandemic.

“Looking ahead, an increased rate of loss of orders in August suggest that the downturn in business activity could gather pace in September, and firms are already cutting back on their hiring in the face of weaker than expected sales, surging costs and concerns about future growth prospects.

“Firms’ costs and selling prices continue to rise at rates that had not been witnessed prior to the pandemic, underscoring the persistence of elevated inflationary pressures, but there is at least some good news in terms of the rates of increase having slowed further in August, suggesting the inflation peak has passed.”

PMI®

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S&P Global Eurozone Services PMI®

Eurozone Service activity signals a marginal decline as new orders decrease and confidence weakens

The S&P Global Eurozone PMI Services Business Activity Index dropped below the 50.0 no-change mark in August, bringing to an end a 16-month sequence of rising service sector output. At 49.8, the index was down from 51.2 in July and signalled a marginal decline in activity midway through the third quarter.

The renewed contraction in business activity reflected further signs of demand weakness as new orders decreased for the second month running. The rate of decline in new business was modest, but quickened to the fastest since February 2021.

The weakening demand environment also dented confidence among firms regarding the year-ahead outlook for activity. Optimism dropped for the fourth successive month in August and was the lowest since October 2020.

Service providers in the eurozone continued to expand their staffing levels, thereby extending the current sequence of job creation to 19 months. That said, jobs growth waned further in August and was the weakest since May 2021.

Inflationary pressures continued to soften, but remained elevated. Both input costs and output prices increased at rates unseen prior to the pandemic, but at the slowest rates in six months.

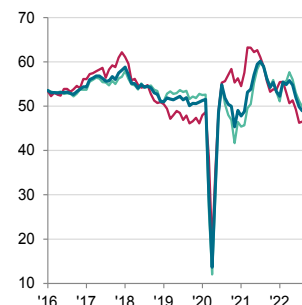
S&P Global Eurozone Services PMI Business Activity Index
sa, >50 = growth since previous month



- Composite
- Manufacturing
- Services

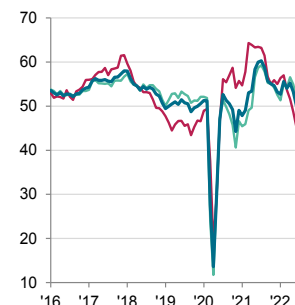
Output Index

sa, >50 = growth since previous month



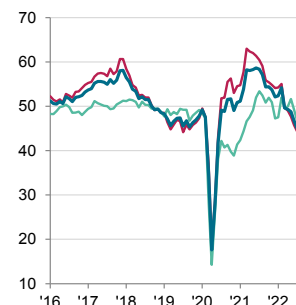
New Business Index

sa, >50 = growth since previous month



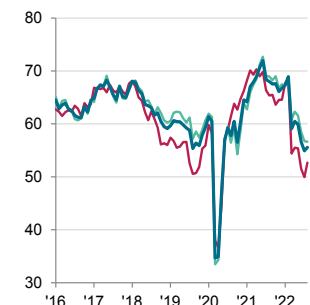
New Export Business Index

sa, >50 = growth since previous month



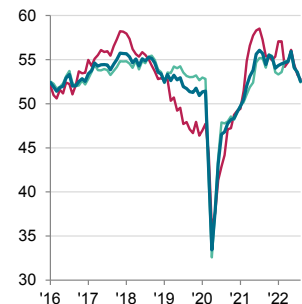
Future Output Index

>50 = growth expected over next 12 months



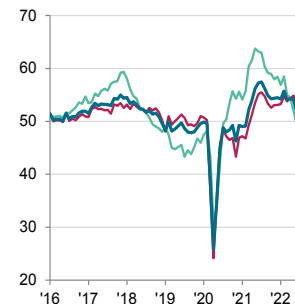
Employment Index

sa, >50 = growth since previous month



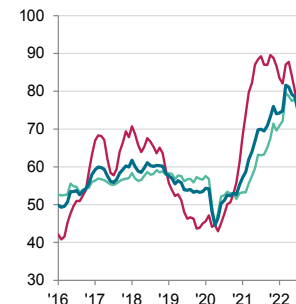
Outstanding Business Index

sa, >50 = growth since previous month



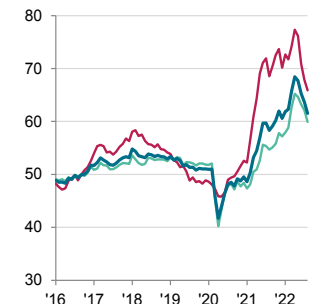
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



S&P Global Eurozone Manufacturing PMI®

Eurozone manufacturing sector contracts again in August but inflationary pressures continue to subside

The eurozone manufacturing sector continued to contract midway through the third quarter. Output fell at a similar pace to that seen in July, which was the strongest since May 2020, while new orders declined sharply once again. Weak demand conditions were a major drag on goods producers in August, reflecting deteriorating purchasing power across Europe amid high inflation. Manufacturers subsequently cut their buying activity back further in response to the darkening economic outlook, although the reduced need for inputs helped lower the strain on suppliers.

Meanwhile, there were further signs of price pressures coming further down from their peak as rates of input cost and output charge inflation slowed to 19- and 16-month lows respectively.

The S&P Global Eurozone Manufacturing PMI® fell to 49.6 in August, down from 49.8 and further beneath the 50.0 mark that separates growth from contraction. Overall, this was the lowest reading since June 2020 and signalled a second successive deterioration in manufacturing operating conditions.

Of the monitored euro area countries, only three recorded Manufacturing PMIs in growth territory during August, although this masked declines in both output and new orders in each case. Netherlands was the top performer, followed by Ireland, although both saw the rate of expansion slow to a 22-month low. The only other country to see a PMI above 50.0 was France. Elsewhere, sharper downturns were seen in Germany, Austria, Greece and Italy, with the latter seeing the strongest manufacturing downturn in August.

Eurozone manufacturing output fell, marking a third successive monthly decline. The reduction was solid overall and broadly similar to that seen in July, which was the quickest since May 2020. According to survey respondents, production volumes fell due to lower incoming new orders, although some continued to report material shortages. Demand for euro area goods* fell sharply again in August and marked a fourth consecutive reduction. High prices, overstocked customers and reports of order postponements due to economic uncertainty were mentioned by manufacturers. New export sales* also fell, with the decline accelerating to the fastest since June 2020.

With production requirements falling, eurozone manufacturing firms reduced their input purchasing in August. The drop was of a similar strength to that seen in July (which was the fastest in just over two years). Amid falling input demand, the strain on suppliers continued to ease, as evidenced by the seasonally adjusted Suppliers' Delivery Times Index rising for a fifth month in a row to its highest since October 2020. That said, vendor performance continued to worsen overall as transportation issues and

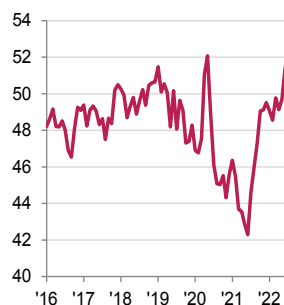
S&P Global Eurozone Manufacturing PMI

sa, >50 = improvement since previous month



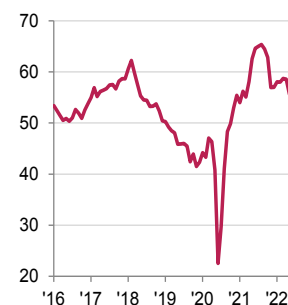
Stocks of Finished Goods Index

sa, >50 = growth since previous month



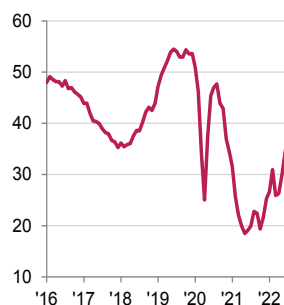
Quantity of Purchases Index

sa, >50 = growth since previous month



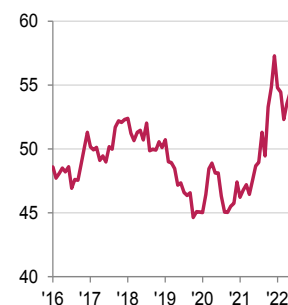
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

sa, >50 = growth since previous month



shortages of certain materials persisted.

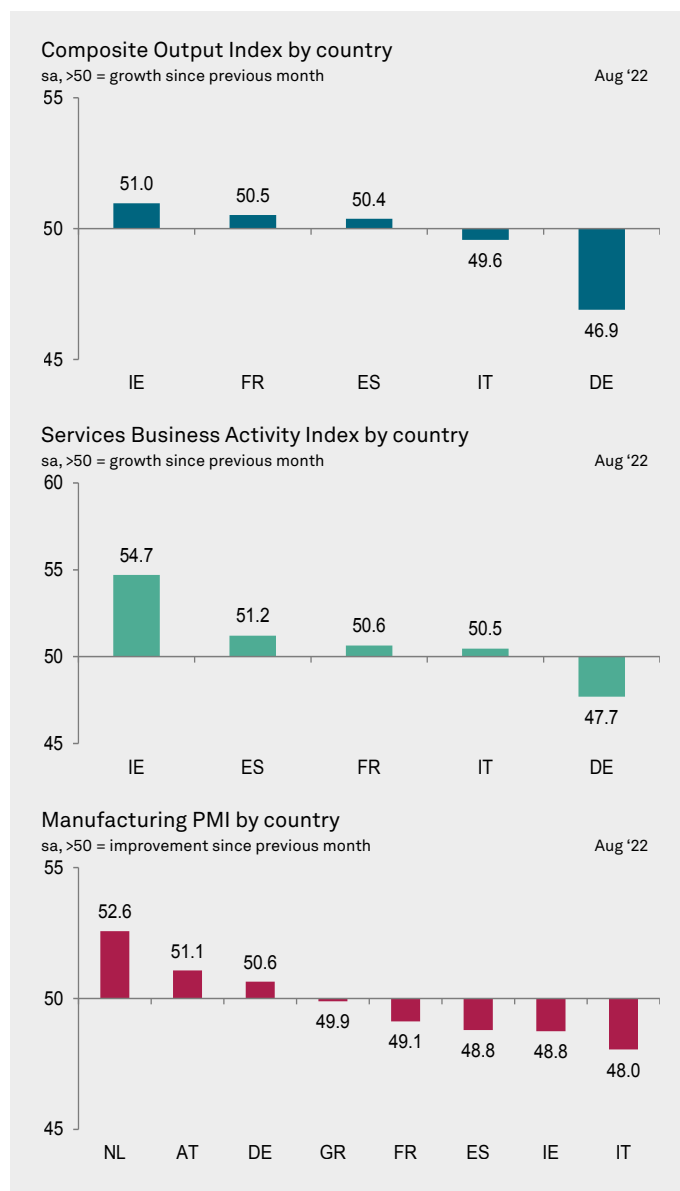
Manufacturing inventory levels rose further during August. In fact, despite lower production, stocks of finished goods increased at the fastest rate on record due to a lack of incoming new work. Meanwhile, pre-production inventories rose at one of the fastest rates since data collection began (in 1997) amid timelier input deliveries and lower output.

Latest survey data signalled a further cooling of inflationary pressures as both input cost and output prices rose at their softest rates in 19 and 16 months respectively. Nevertheless, both increases remained historically sharp overall.

Elsewhere, capacity pressures were reduced again in August, as signalled by a third straight fall in backlogs of work. The rate of depletion quickened and was the fastest in just over two years. Employment meanwhile rose, albeit to the weakest extent in a year-and-a-half.

Finally, business confidence edged up slightly from July's 26-month low but it remained at a historically subdued level.

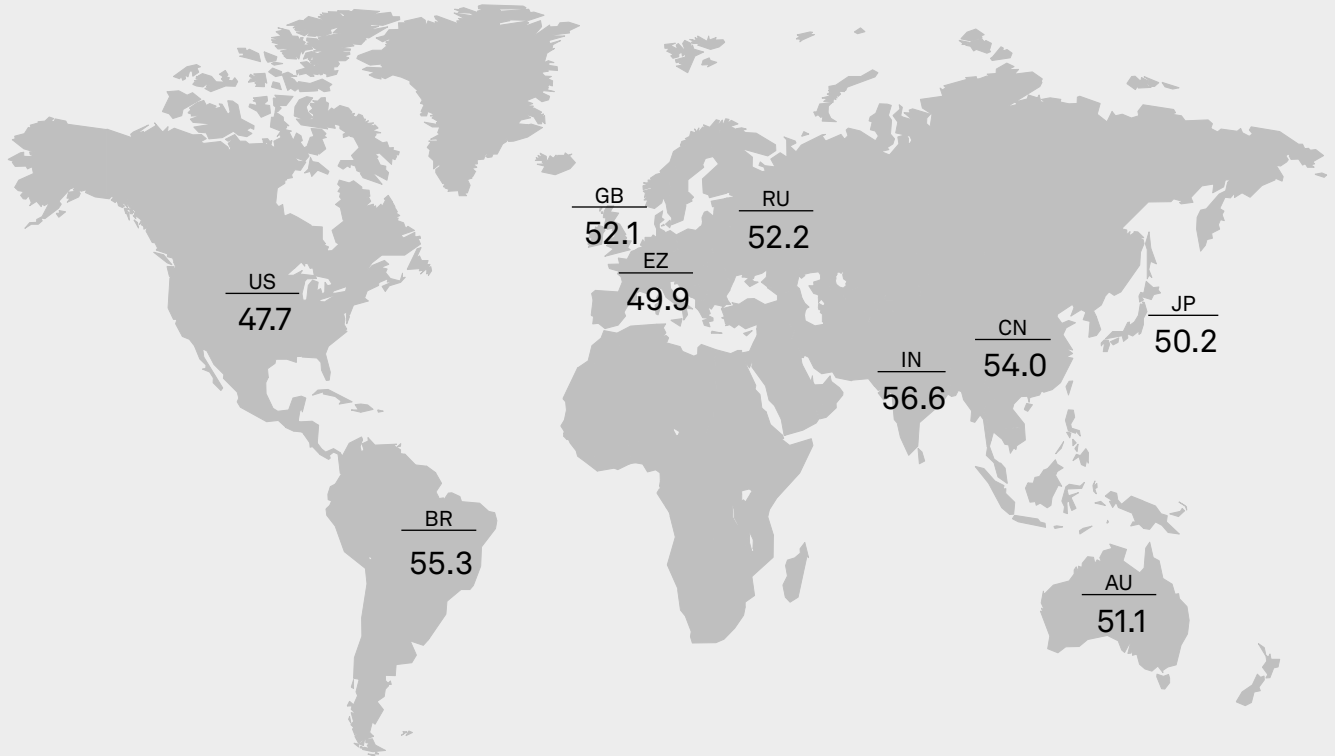
**Includes intra-eurozone trade*



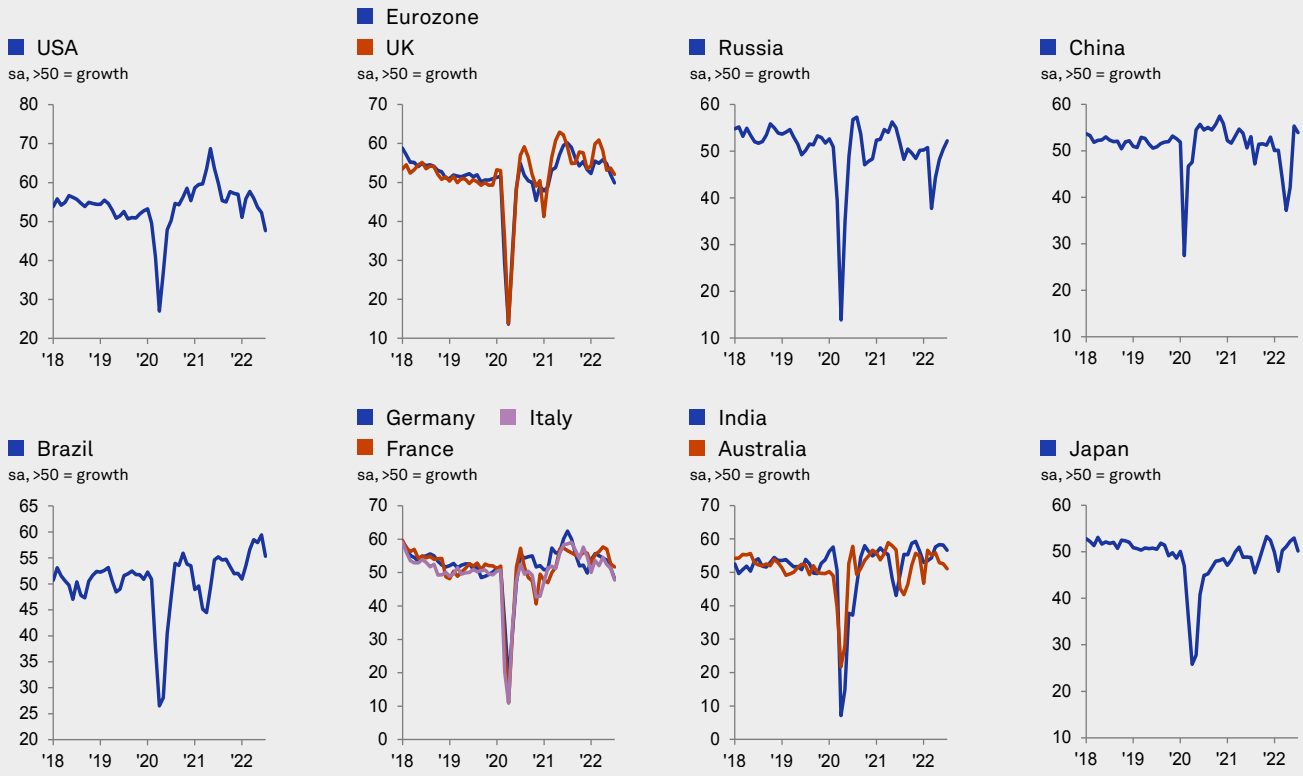
International PMI

Composite Output Index, Jul '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

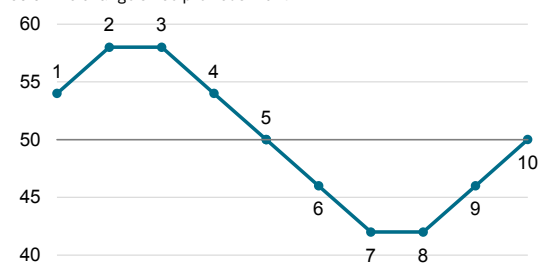
Services sector	Manufacturing sector
Business Activity	Output
New Business	New Orders
New Export Business	New Export Orders
Future Activity	Future Output
Employment	Employment
Outstanding Business	Backlogs of Work
-	Stocks of Finished Goods
-	Quantity of Purchases
-	Suppliers' Delivery Times
-	Stocks 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 12-25 August 2022.

Sector coverage

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

SERVICES		MANUFACTURING	
55	Hotels & Restaurants	15	Food and beverages
60	Land Transport and Pipelines	16	Tobacco products
61	Water Transport	17	Textiles
62	Air Transport	18	Wearing apparel
63	Supporting Transport Activities	19	Leather and related products
64	Post and Telecommunications	20	Wood and wood products
65	Banking	21	Paper and paper products
66	Insurance and Pensions	22	Printing and reproduction of recorded media
67	Other Financial Services	23	Coke and refined petroleum products
70	Real Estate	24	Chemicals and chemical products
71	Renting of Goods	25	Rubber and plastic products
72	Computer Services	26	Other non-metallic mineral products
73	Research and Development	27	Basic metals
74	Other Business Activities	28	Fabricated metal products
80	Education	29	Machinery and equipment n.e.c.
85	Health Care	30	Office machinery and computers
91	Membership Organisations	31	Electrical equipment
92	Recreational, Cultural and Sporting Activities	32	Communication equipment
93	Other Service Activities	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
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
08/22	48.9	46.9	45.2	55.6	52.5	49.8	72.3	61.5

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
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
08/22	49.8	48.2	48.4	56.6	52.4	50.8	72.5	59.9

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
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
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

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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. ihsmarkit.com/products/pmi.html.