

S&P Global Eurozone Composite PMI®

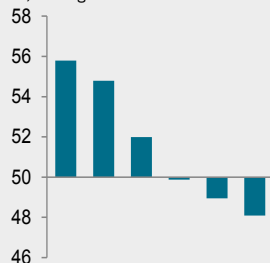
Private sector output falls at sharpest rate since January 2021

48.1

EUROZONE
COMPOSITE OUTPUT
INDEX
SEP '22

Composite Output Index

Apr - Sep '22
sa, >50 = growth



Eurozone Services PMI Business Activity Index, September '22: 48.8

Eurozone Manufacturing PMI Output Index, September '22: 46.3

Eurozone Manufacturing PMI, September '22: 48.4

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.

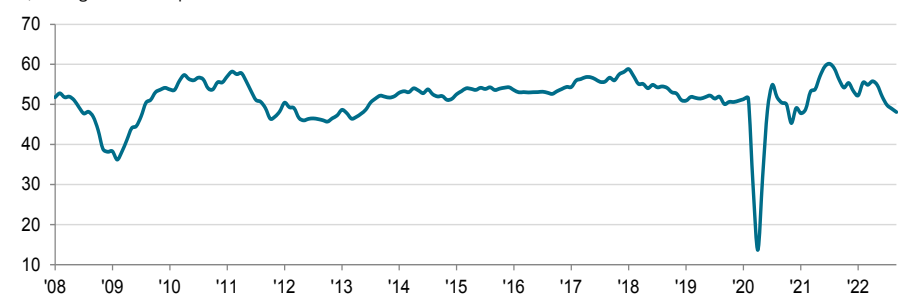
Sector data revealed another broad-based decrease at the end of the third quarter, with contractions accelerating at both manufacturers and service providers. The downturn was stronger at goods producers as high energy costs, ongoing issues with input availabilities and order cancellations impeded production 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.

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.

S&P Global Eurozone Composite PMI Output Index

sa, >50 = growth since previous month



PMI®

by S&P Global

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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.

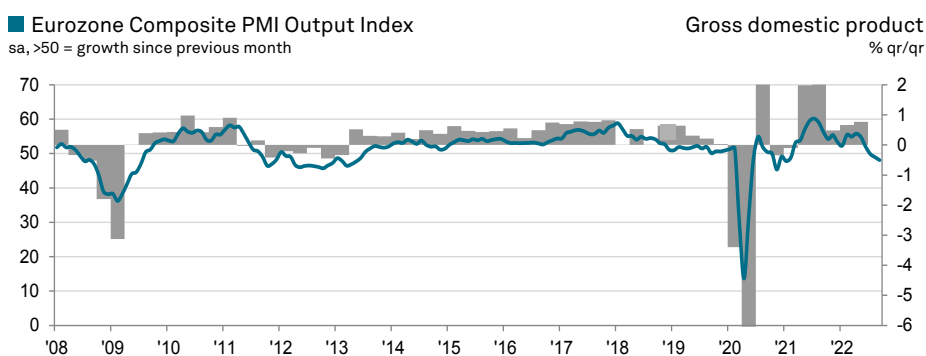
A key factor pulling back demand was inflation, according to surveyed companies. This was especially evident in the manufacturing sector, where factory orders dropped at the quickest pace in almost two-and-a-half years. Overall cost pressures intensified during September, marking the first month in which 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



Comment

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.”

S&P Global Eurozone Services PMI®

Business activity drops further in September as demand weakens and confidence plummets

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.

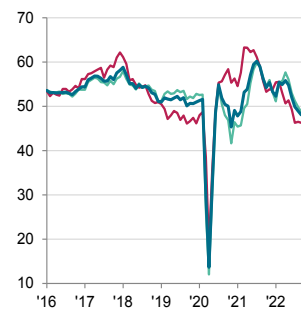
S&P Global Eurozone Services PMI Business Activity Index
sa, >50 = growth since previous month



- Composite
- Manufacturing
- Services

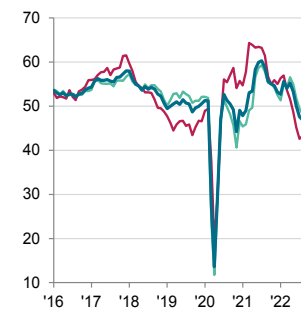
Output Index

sa, >50 = growth since previous month



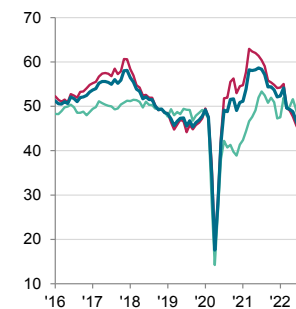
New Business Index

sa, >50 = growth since previous month



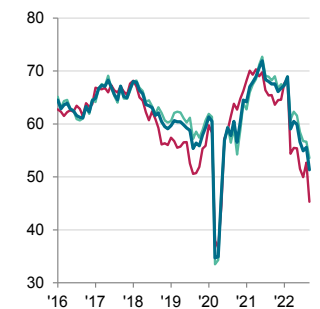
New Export Business Index

sa, >50 = growth since previous month



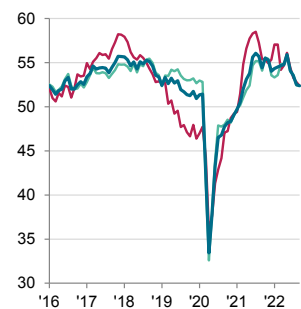
Future Output Index

>50 = growth expected over next 12 months



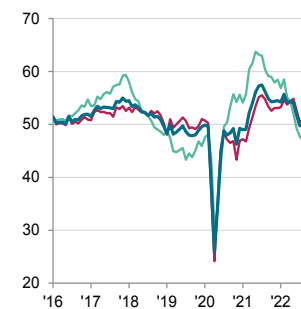
Employment Index

sa, >50 = growth since previous month



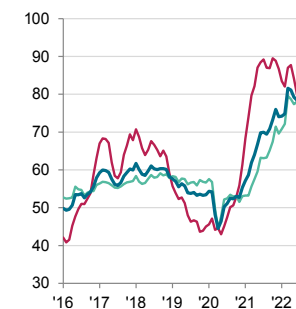
Outstanding Business Index

sa, >50 = growth since previous month



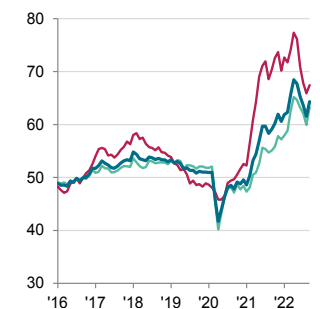
Input Prices Index

sa, >50 = inflation since previous month



Output Prices Index

sa, >50 = inflation since previous month



S&P Global Eurozone Manufacturing PMI®

Manufacturing sector downturn accelerates in September as demand tumbles further and price pressures intensify

The euro area's manufacturing sector fell deeper into contraction territory during September, latest PMI® data from S&P Global showed, due to further slides in both output and new orders. In some cases, production volumes were reduced in response to high energy prices, while many firms downwardly adjusted their operating schedules in line with lower order books. Demand for eurozone goods sank sharply in September as high inflation and economic uncertainty reportedly squeezed client appetite. Business confidence subsequently fell to its lowest level since May 2020, leading firms to cut purchasing activity further in anticipation of more challenging conditions.

Meanwhile, inflationary pressures accelerated in September. Although pressures arising from material shortages had reportedly faded slightly, many companies remarked on the rising costs for energy.

The S&P Global Eurozone Manufacturing PMI® fell to 48.4 in September, from 49.6 in August, signalling a further worsening of operating conditions for euro area goods producers. Moreover, the headline index slumped to its lowest level since June 2020.

Ireland was the only monitored euro area country to record a manufacturing PMI in expansion territory during September. France and Germany – the two largest eurozone economies – both recorded the worst deteriorations in manufacturing sector conditions at the end of the third quarter, with their respective PMIs at the lowest levels since the first wave of the COVID-19 pandemic in the first half of 2020.

For a fourth successive month, manufacturing output levels fell across the euro area. The reduction was solid overall and of a similar strength to that seen in August. Lower production was primarily a consequence of fading demand, according to panellists, although others commented on the adverse impact of ongoing supply shortages. In some cases, factory output was restricted as some firms looked to curb energy usage amid soaring prices.

The downturn in manufacturing new orders continued in September and accelerated from the previous month. Overall, the decrease in demand was the sharpest since May 2020 and reflected a broad weakening of client appetite. High prices reportedly deterred customer purchases, although other companies commented on the adverse impact from economic uncertainty.

With the rate of contraction in new orders exceeding that for output, euro area manufacturers were able to make inroads into their backlogs during September. In fact, the level of work outstanding fell at the quickest rate in over two years. Employment growth continued nonetheless, but slipped to its weakest since February 2021.

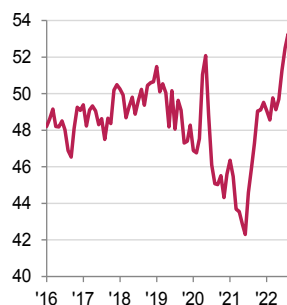
S&P Global Eurozone Manufacturing PMI

sa, >50 = improvement since previous month



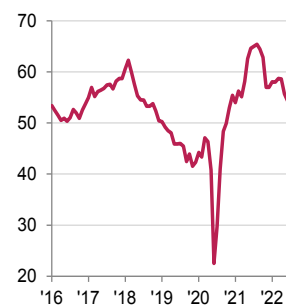
Stocks of Finished Goods Index

sa, >50 = growth since previous month



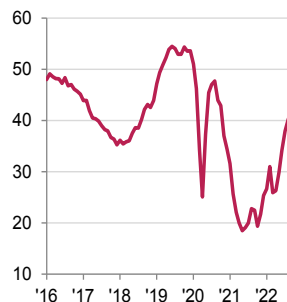
Quantity of Purchases Index

sa, >50 = growth since previous month



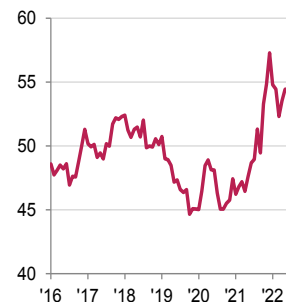
Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Stocks of Purchases Index

sa, >50 = growth since previous month

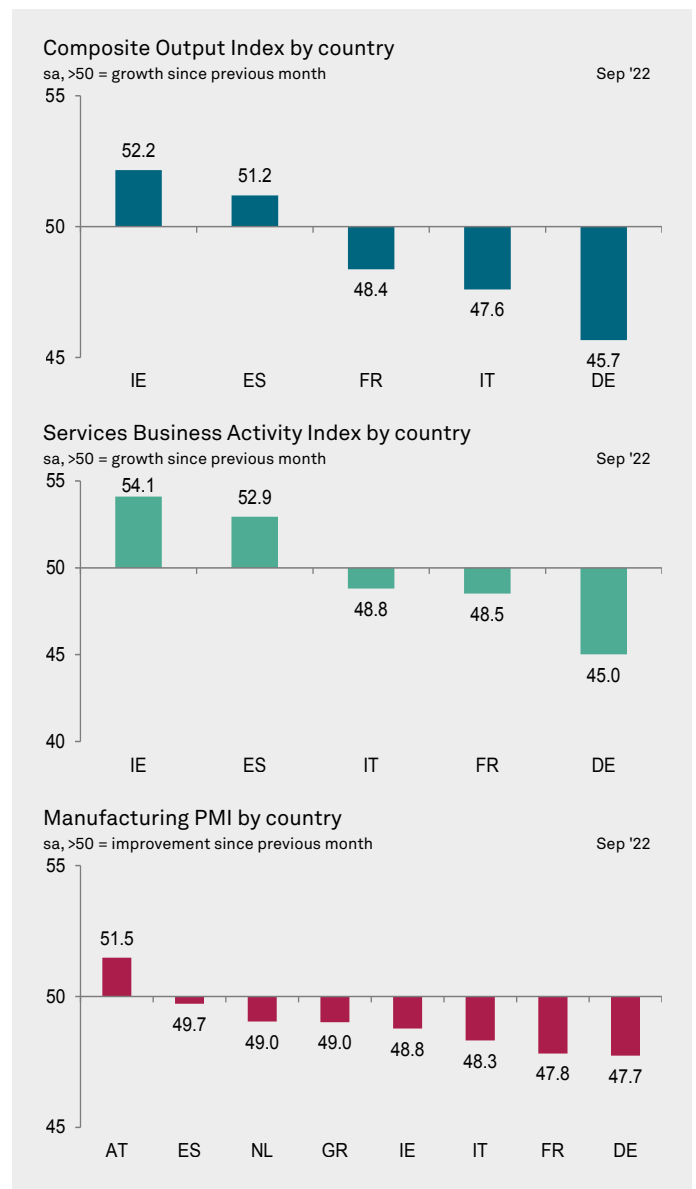


In a further sign of distress, eurozone manufacturers reduced their purchases of inputs for a third month and to the quickest extent since June 2020. This was in response to lower output requirements, and as part of efforts to prevent overstocked warehouses. Indeed, pre-production inventories rose once again in September despite the sustained drop in buying activity. According to firms, this reflected improving raw material availability, although others mentioned an unintentional expansion due to poor sales.

Meanwhile, supplier delivery delays were at their least widespread for almost two years in September as improved raw material availability and a drop in demand helped ease pressures on vendors.

Nevertheless, rates of input cost and output price inflation accelerated in September, the first time since April this has been the case. According to panellists, soaring energy prices were a key factor behind the intensification of cost pressures. In turn, factories passed on higher expenses to their clients through stronger increases in selling charges.

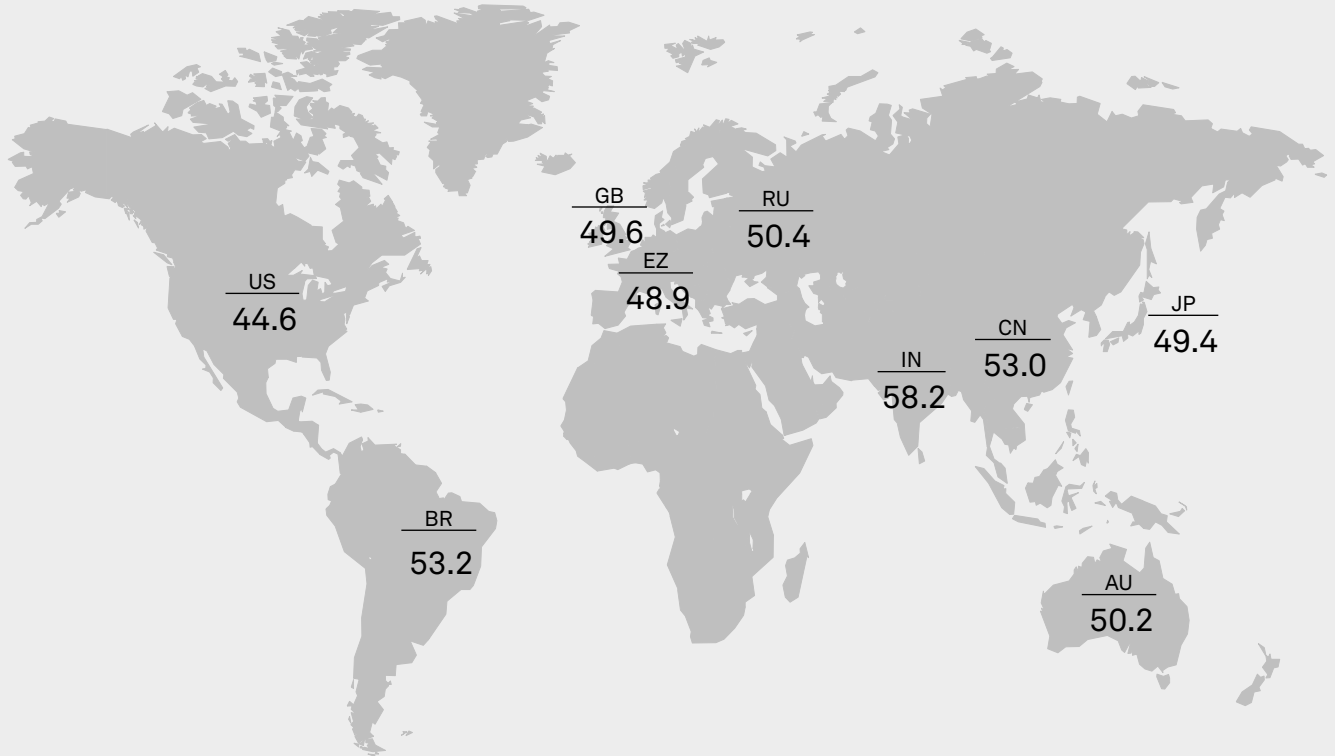
Lastly, the level of business confidence slipped back into negative territory in September. In fact, euro area manufacturers were at their most pessimistic since May 2020. Survey respondents attributed their downbeat assessment of the year ahead to soaring energy costs, the ongoing war in Ukraine and fears of a recession.



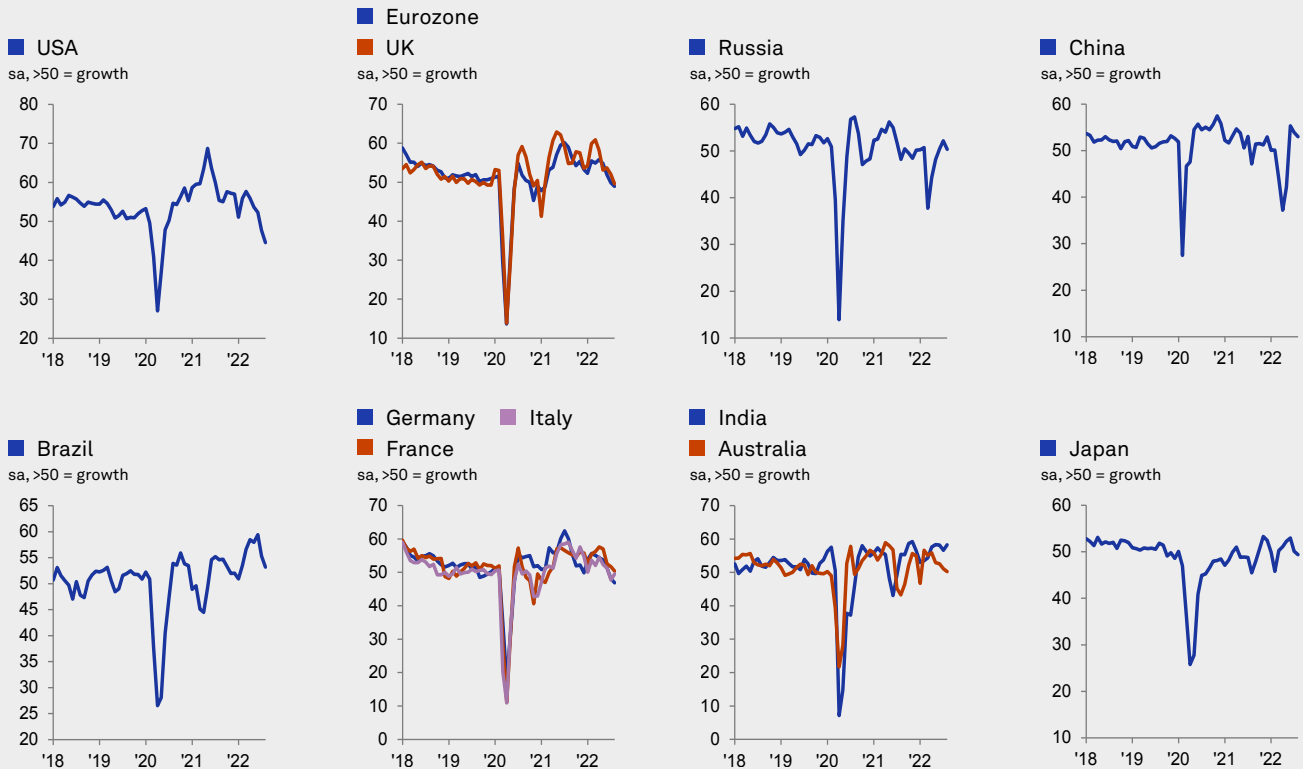
International PMI

Composite Output Index, Aug '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

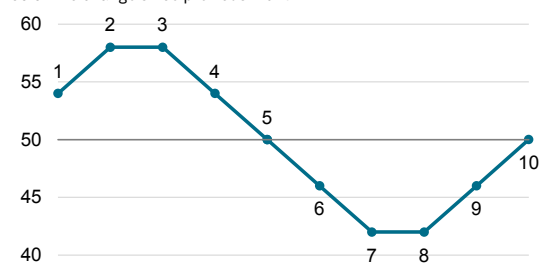
Services sector	Manufacturing sector
Business Activity	Output
New Business	New Orders
New Export Business	New Export Orders
Future Activity	Future Output
Employment	Employment
Outstanding Business	Backlogs of Work
-	Stocks of Finished Goods
-	Quantity of Purchases
-	Suppliers' Delivery Times
-	Stocks 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 12-27 September 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
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
09/22	48.1	46.3	43.6	51.4	52.4	47.8	77.1	64.3

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
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
09/22	48.8	48.2	46.7	53.6	52.4	49.0	77.4	63.2

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
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
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

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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.