News Release

MARKET SENSITIVE INFORMATION
Embargoed until 1000 CET (0900 UTC) 1 February 2023

S&P Global Eurozone Manufacturing PMI®

Eurozone manufacturing downturn eases further in January and cost pressures fade

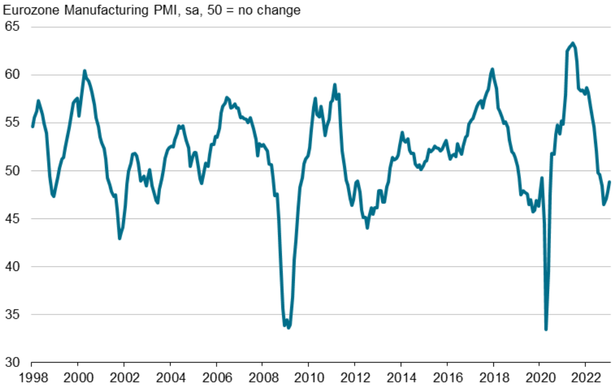
Key findings:

Final Eurozone Manufacturing PMI at 48.8 (Dec: 47.8). 5-month high.

Final Eurozone Manufacturing Output Index at 48.9 (Dec: 47.8). 7-month high.

Data were collected 12-24 January

S&P Global Eurozone Manufacturing PMI



Source: S&P Global.

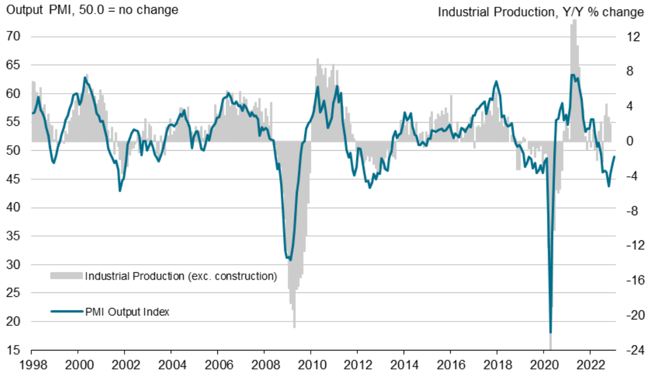
The eurozone manufacturing sector downturn continued into the new year, with production volumes and new factory orders falling further. However, slower rates of contraction in both cases tentatively suggested that the worst of the sector's slump has passed. Indeed, some parts of the euro area even recorded an expansion in output in January.

Meanwhile, stocks of finished goods declined for the first time since May last year, while pre-production holdings were unchanged, reflecting manufacturers' efforts to align inventories with the prevailing economic environment. Indeed, purchasing activity continued to decline, while suppliers' delivery times were broadly stable. These two factors helped reduce cost pressures across the euro area, with input price inflation slowing to a 26-month low. That said, output charges increased at a faster pace.

The S&P Global Eurozone Manufacturing PMI® rose for a third successive month to 48.8 in January, up from 47.8 in December. Albeit still below the 50.0 mark, and therefore indicative of a worsening in the health of the euro area manufacturing sector, it was the highest reading since last August.

Countries ranked by Manufacturing PMI: January

France	50.5 (flash: 50.8)	5-month high
Italy	50.4	7-month high
Ireland	50.1	3-month high
Netherlands	49.6	5-month high
Greece	49.2	4-month high
Austria	48.4	4-month high
Spain	48.4	4-month high
Germany	47.3 (flash: 47.0)	4-month high



Source: S&P Global, Eurostat.

Of the eurozone countries monitored by the survey (which account for an estimated 89% of total manufacturing activity), respective Manufacturing PMIs rose across the board at the start of the year. Indeed, in the cases of France and Italy sector conditions improved marginally when compared to December. The Manufacturing PMI for Ireland recorded fractionally above the 50.0 mark, signalling broadly no change overall. Elsewhere, although operating conditions worsened again, rates of deterioration slowed.

Eurozone manufacturing output continued to fall in January, extending the current sequence of contraction which began in mid-2022. However, the decline was marginal and the slowest in seven months. Weak demand pressures were cited as the principal drag on production schedules, anecdotal evidence showed.

January survey data showed new orders falling solidly and at a markedly faster pace than that for output. Particularly sharp falls in new factory orders were seen in Austria and Germany. Overall order books were also dragged lower by sales performances in overseas markets, with new export business[1] falling for an eleventh month in a row. The reduction in total sales was a reflection of generally subdued client demand, although some companies remarked on the negative effects of inflation and uncertainty. That said, the overall new orders decline was the weakest since May 2022.

With volumes of incoming new work falling quicker than production, eurozone manufacturing backlogs fell at a strong rate during January. This marked an eighth successive monthly decline in orders pending completion. That said, factory employment levels rose, with the rate of jobs growth picking up slightly to a three-month high.

Meanwhile, January survey data showed stocks of finished goods falling for the first time since May 2022 as companies adjust their inventories to align with prevailing demand conditions. Stocks of purchases were unchanged, ending a 17-month sequence of accumulation.

Another month of broadly stable supply-chain conditions was seen in January, with the respective seasonally adjusted index posting just below the 50.0 no-change mark. Reduced pressures on lead times came amid a further marked drop in purchasing activity. These factors also partly explained a further easing of input cost inflation, which dropped to a 26-month low and was below its historic average. However, selling prices increased at a slightly faster pace, although inflation here was well below the 2022 trend.

Lastly, there was a notable improvement in business confidence during January. Growth expectations were at their strongest since February 2022, prior to Russia's invasion of Ukraine.

[1] *Includes intra-eurozone trade*

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

"Although euro area manufacturers continued to report falling output and deteriorating order books in January, sustaining the sector's downturn for an eighth successive month, the picture is considerably brighter than the lows seen back in last October heading into the winter. Not only has the rate of output decline moderated now for three consecutive months, but business optimism about the year ahead has also surged higher over the past three months.

"Worries over gas supply constraints and soaring gas costs have given way to a much more stable looking energy market in Europe, albeit thanks in part to state subsidies and mild weather. At the same time, broader supply chain constraints have eased considerably, helping many companies reduce their backlogs of work and ramp up production. The lifting of COVID-19 restrictions in mainland China has meanwhile added to the sense that the global drag from the pandemic has passed. All of which has helped bring down broader inflation pressures and lifted confidence that the worst of the cost-of-living squeeze is over.

"However, demand remains lacklustre with few signs of any serious growth drivers on the horizon. The economy has also yet to feel the full impact of higher interest rates, which look set to rise further in the coming months, presenting a potentially challenging outlook for economic growth."

-Ends-

News Release

Contact

S&P Global Market Intelligence
Chris Williamson
Chief Business Economist
Telephone +44-207-260-2329
Email: chris.williamson@spglobal.com

Joe Hayes
Senior Economist
Telephone +44-1344-328-099
Email: joe.hayes@spglobal.com

Sabrina Mayeen
Corporate Communications
Telephone +44-7967-447-030
Email sabrina.mayeen@spglobal.com

Note to Editors

The Eurozone Manufacturing PMI® (Purchasing Managers' Index®) is produced by S&P Global and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 89% of eurozone manufacturing activity.

The final Eurozone Manufacturing PMI follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total PMI survey responses each month. The January 2023 flash was based on 88% of the replies used in the final data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Eurozone Manufacturing PMI	0.0	0.2

The *Purchasing Managers' Index®* (*PMI®*) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI®* surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@ihsmarkit.com.

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to https://ihsmarkit.com/products/pmi.html .

If you prefer not to receive news releases from S&P Global, please contact katherine.smith@spglobal.com. To read our privacy policy, click here.

PMI® by S&P Global