News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash Eurozone PMI®

Eurozone business activity down for second month running as service sector growth grinds to a near-halt

Key findings:

Flash Eurozone PMI Composite Output Index(1) at 49.2 (Jul: 49.9). 18-month low.

Flash Eurozone Services PMI Activity Index(2) at 50.2 (Jul: 51.2). 17-month low.

Flash Eurozone Manufacturing Output Index(4) at 46.5 (Jul: 46.3). 2-month high.

Flash Eurozone Manufacturing PMI(3) at 49.7 (Jul: 49.8). 26-month low.

Data were collected 12-19 August

August saw a second successive monthly reduction in business activity across the euro area, according to early PMI survey indicators, amid a further decline in new orders. Cost of living pressures sapped demand in the service sector, leaving activity only just inside growth territory, while manufacturing remained in a downturn midway through the third quarter of the year.

Although remaining elevated, there were again signs that inflationary pressures at businesses have passed their peak, with rates of increase in both input costs and output prices softening across the board. Concerns over the economic outlook meant that business confidence remained muted in August. This relatively weak sentiment, plus a sustained downturn in customer demand, meant that firms were increasingly reticent to expand staffing levels and the rate of job creation softened to the slowest in almost a year-and-a-half as a result.

S&P Global Flash Eurozone PMI Composite Output Index

Sources: S&P Global, Eurostat.

The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** dropped to 49.2 in August, from 49.9 in July, according to the 'flash' reading. The index signalled a second successive reduction in business activity across the eurozone following a 16-month period of growth. Although still only slight, the latest decline was sharper than that seen in July.

The overall drop in output was again driven by a contraction in the manufacturing sector, where production fell for the third month running and at a solid pace. That said, the service sector barely registered any improvement in activity during August as the rate of expansion slowed for the fourth consecutive month to the softest since the sector returned to growth in April 2021.

The overall reduction in business activity in the euro area was mainly centred on the largest national economies. Germany posted the sharpest decline in output since June 2020 as manufacturing production continued to fall markedly and the contraction in services activity accelerated. Activity in France decreased for the first time in a year-and-a-half, reflective of a sharp drop in manufacturing output and softer growth of services activity. Outside of the 'big-two', output continued to increase, albeit only marginally.

Particularly sharp declines in output were seen across basic materials categories and in the autos sector, but reductions were also recorded in parts of the service sector, including in tourism & recreation and real estate.

Business activity was undermined by declining demand as new orders fell solidly for the second month running. New business was down in both the manufacturing and service sectors, with the former continuing to post the sharper contraction. The steep drop off in demand in the manufacturing sector has seen a build-up in unsold goods as firms have found it difficult to shift finished products. Post-production inventories increased at the sharpest pace in more than 25 years of data collection in August, with the rate of accumulation hitting a record high for the second month in a row.

Strong inflationary pressures were again key to the reduction in new orders, with both input costs and output

PMI® by S&P Global

prices continuing to rise rapidly. That said, rates of inflation at businesses slowed again over the month. Input costs increased at the softest pace in close to a year, while output charge inflation was the weakest in the year-to-date. Softer inflationary pressures were recorded across both the manufacturing and service sectors.

Alongside signs of inflation at companies waning, there was further evidence that constraints in manufacturing supply chains eased in August. Suppliers' delivery times continued to lengthen markedly, but to the least extent since October 2020.

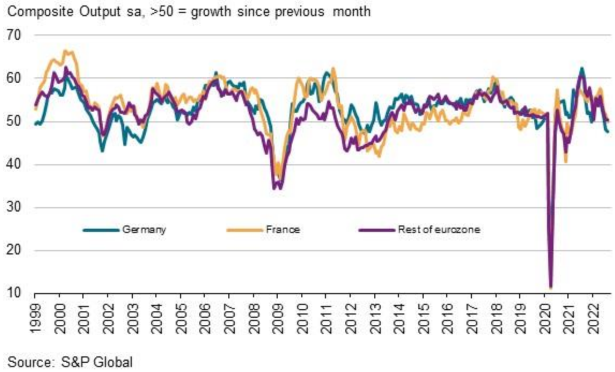
Although improving slightly from July, confidence in the year-ahead outlook for activity remained relatively muted amid worries of an economic downturn. Sentiment was the second-lowest since the initial wave of the COVID-19 pandemic.

This muted confidence, alongside falling new orders and a lack of pressure on capacity (backlogs of work decreased for a second successive month), meant that firms moderated their hiring activities. Employment increased for the nineteenth month running as some companies continued to make efforts to rebuild workforces following the pandemic, but the rate of job creation eased for the third month in a row to the softest since March 2021. Rates of growth eased to 17-month lows in Germany and the 'rest of the eurozone', with France seeing the softest expansion in 13 months.

S&P Global Flash Eurozone Manufacturing PMI

Source: S&P Global.

Core v. Periphery PMI Output Indices



Source: S&P Global

Commenting on the flash PMI data, **Andrew Harker**, Economics Director at S&P Global Market Intelligence said:

"The latest PMI data for the eurozone point to an economy in contraction during the third quarter of the year. Cost of living pressures mean that the recovery in the service sector following the lifting of pandemic restrictions has ebbed away, while manufacturing remained mired in contraction in August, seeing another record accumulation of stocks of finished goods as firms were unable to shift products in a falling demand environment. This glut of inventories suggests little prospect of an improvement in manufacturing production any time soon.

"Declining output is now being seen across a range of sectors, from basic materials and autos firms through to tourism and real estate companies as economic weakness becomes more broad based in nature.

"The rebuilding of workforces following the pandemic is also losing steam, with firms increasingly reluctant to hire additional staff given falling new orders and relatively weak business sentiment.

"Businesses are at least continuing to see weaker rises in their costs, in turn increasing their selling prices at a softer pace. This should help to feed through to slower consumer price inflation later in the year, although it appears that any alleviation to the inflation situation is coming too late to provide any real support to demand. The remainder of 2022 is therefore looking to be one of struggle for firms across the eurozone."

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Note to Editors

Final August data are published on 1 September for manufacturing and 5 September for services and composite indicators.

The Eurozone PMI® (Purchasing Managers' Index®) is produced by S&P Global and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI 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
Composite Output Index[1]	0.0	0.3
Manufacturing *PMI*[3]	0.0	0.2
Services Business Activity Index[2]	0.1	0.3

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.

Notes

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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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. To learn more go to https://ihsmarkit.com/products/pmi.html .

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