News Release

MARKET SENSITIVE INFORMATION
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S&P Global Eurozone Manufacturing PMI®

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

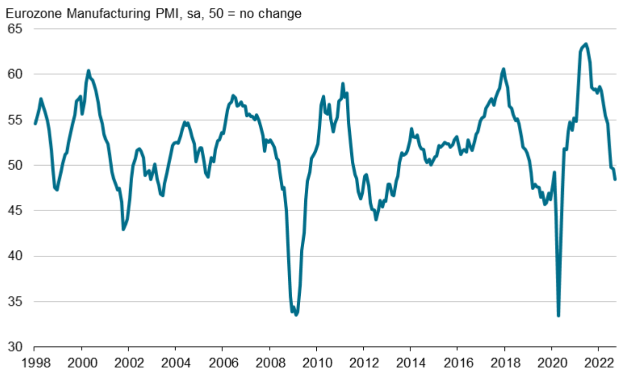
Key findings:

Final Eurozone Manufacturing PMI at 48.4 (Aug: 49.6). 27-month low.

Final Eurozone Manufacturing Output Index at 46.3 (Aug: 46.5). 2-month low.

Data were collected 12-23 September

S&P Global Eurozone Manufacturing PMI



Source: S&P Global.

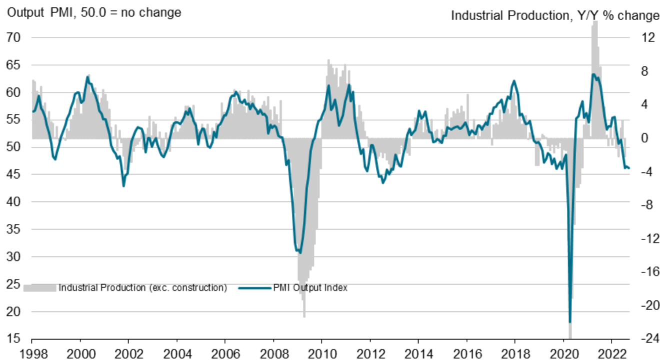
The euro area's manufacturing sector fell deeper into contraction territory during September, latest PMI® data from S&P Global showed, due to further slides in both output and new orders. In some cases, production volumes were reduced in response to high energy prices, while many firms downwardly adjusted 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.

Countries ranked by Manufacturing PMI: September

Ireland	51.5	2-month high
Greece	49.7	3-month high
Netherlands	49.0	26-month low
Spain	49.0	2-month low
Austria	48.8	Unchanged
Italy	48.3	2-month high
Germany	47.8 (flash: 48.3)	27-month low
France	47.7 (flash: 47.8)	28-month low



Source: S&P Global, Eurostat.

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

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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.

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.

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

"The ugly combination of a manufacturing sector in recession and rising inflationary pressures will add further to concerns about the outlook for the eurozone economy.

"Excluding the initial pandemic lockdowns, eurozone manufacturers have not seen a collapse of demand and production on this scale since the height of the global financial crisis in early-2009.

"The downturn is being driven primarily by the surging cost of living, which is reducing spending power and hitting demand, but soaring energy prices are also increasingly limiting production at energy intensive manufacturers.

"Worse looks set to come, with orders slumping at a significantly steeper rate than production is being cut. Further steep production cuts look to be on the cards in the coming months unless demand revives.

"The combination of rising costs and slumping demand has also pushed firms expectations for the year ahead sharply lower again in September, leading in turn to reduced input buying and lower jobs growth as firms prepare for a tough winter.

"The energy crisis has offset the easing of inflationary pressures from fewer supply delays in recent months. Input cost inflation re-accelerated after four months of cooling price pressures, putting further upward pressure on consumer price inflation."

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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 September 2022 flash was based on 90% 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.

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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 .

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