

MARKET SENSITIVE INFORMATION

Embargoed until 1000 CEST (0800 UTC) 24 October 2022

S&P Global Flash Eurozone PMI®

Eurozone economic contraction intensifies in October

Key findings:

Flash Eurozone PMI Composite Output Index⁽¹⁾ at 47.1 (Sep: 48.1). 23-month low.

Flash Eurozone Services PMI Activity Index⁽²⁾ at 48.2 (Sep: 48.8). 20-month low.

Flash Eurozone Manufacturing Output Index⁽⁴⁾ at 44.2 (Sep: 46.3). 29-month low.

Flash Eurozone Manufacturing PMI⁽³⁾ at 46.6 (Sep: 48.4). 29-month low.

Data were collected 11-20 October

The Eurozone economy slipped into a steeper downturn at the start of the fourth quarter, the rate of decline hitting the fastest since April 2013 barring pandemic lockdowns. Manufacturing, and energy intensive sectors in particular, reported the steepest output loss, but services activity also continued to fall at an accelerating rate amid the ongoing cost of living crisis and broad-based economic uncertainty.

Germany reported the steepest economic contraction while growth in France merely stalled.

Although supply shortages showed further signs of easing, inflationary pressures remained elevated amid high energy costs and upward wage pressures.

Business confidence in the year ahead meanwhile remained mired at one of the lowest levels seen over the past two years, though steadied compared to September.

The seasonally adjusted **S&P Global Eurozone PMI® Composite Output Index** fell from 48.1 in September to 47.1 in October, according to the preliminary 'flash' reading based on approximately 85% of usual survey responses. The PMI has now registered below the neutral 50.0 level, indicating falling business activity levels, for four consecutive months. The rate of decline has accelerated over this period to reach the fastest since November 2020. Excluding pandemic lockdown months, the latest reading was the lowest since April 2013.

Manufacturing led the downturn, with factory output declining for a fifth month running and slumping at a rate not seen prior to the pandemic since July 2012. Service sector output also fell, down for a third consecutive month, contracting to a degree not witnessed outside of pandemic lockdowns since May 2013.

Any growth was confined to technology, industrial services and pharmaceuticals & biotech firms. Some of the steepest downturns were seen in the chemical & plastics and basic resource sectors, often reflecting high energy dependencies.

Within the euro area, the steepest decline continued to be recorded in **Germany**, where the composite PMI sank to 44.1, its lowest since May 2020 and, excluding the pandemic, its weakest since June 2009. Germany's manufacturing and service sectors both reported steep and accelerated rates of contraction.

Output meanwhile stalled in **France**, the composite PMI registering 50.0 from 51.2 in September, representing the first month in which output has failed to grow since March 2021. A modest expansion of service sector output offset a marked (albeit moderating) decline in manufacturing.

Elsewhere across the region, output fell for the second successive month, dropping at the fastest rate since January 2021, and excluding the pandemic since June 2013. A modest decline in service sector output was accompanied by a steeper fall in factory production.

New orders placed for goods and services meanwhile fell for a fourth straight month, the rate of loss accelerating to a pace not seen since December 2012 barring pandemic lockdown months, to indicate a steepening downturn in demand. Excluding the pandemic, the drop in manufacturing orders was the sharpest since April 2009,

S&P Global Flash Eurozone PMI Composite Output Index



PMI®

by S&P Global

News Release

while the decline in new business inflows into service sector companies was the steepest since June 2013.

The drop in new orders meant companies continued to rely on existing backlogs of work to help maintain business activity levels, causing backlogs of orders to fall for a fourth month in a row, led by a particularly sharp decline in manufacturing. The backlogs decline was most marked in Germany, whereas France reported rising outstanding business.

While employment growth ticked up slightly in October, the latest gain was the third-lowest seen over the past year-and-a-half, reflecting job cutting at some firms amid signs of surplus capacity relative to sales and a broader reticence to hire amid uncertainty regarding the outlook.

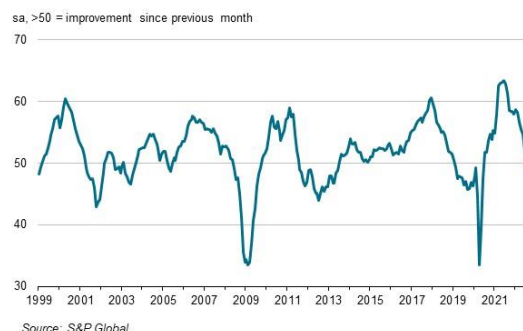
Business expectations for the year ahead remained subdued, running at the second-lowest since the early pandemic lockdowns. Confidence was especially low in manufacturing, and particularly in Germany, reflecting concerns over energy as well as the rising cost of living and global growth slowdowns. While sentiment picked up slightly in the service sector from the previous month, it remained weaker than at any other time since early-2020 and far below levels seen earlier in the year, linked principally to concerns over the rising cost of living and tightening financial conditions.

Although factory output was again subdued in many cases by component shortages and concerns over energy, October saw the overall incidence of supply chain delays ease to the lowest for just over two years. Companies reported fewer component shortages and improved shipping, albeit often linked to suppliers being less busy due to weaker demand. Input buying by manufacturers fell at one of the steepest rates seen since the global financial crisis, reflecting lower production requirements and increasingly broad-based deliberate inventory reduction policies amid weaker than expected sales.

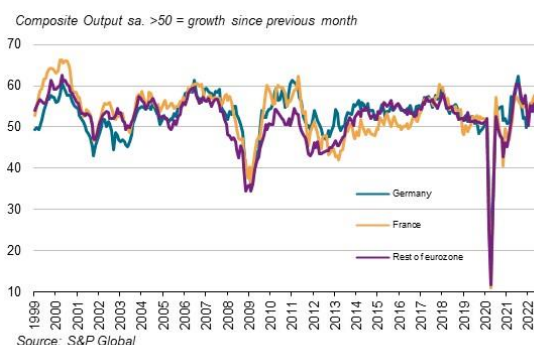
Although easing raw material supply constraints helped alleviate some inflationary pressures, rising energy costs and upward wage pressures ensured the overall rate of input cost inflation remained highly elevated, easing only slightly from September's three-month high (and even increasing slightly in services).

Higher costs fed through to a stubbornly high rate of increase of prices charged for goods and services, which dipped only marginally compared to September to register the sixth-largest monthly increase since comparable data were first available in late-2002. Rates of selling price inflation cooled only marginally in both manufacturing and services, in both cases remaining far higher than anything ever seen prior to the pandemic.

S&P Global Flash Eurozone Manufacturing PMI



Core v. Periphery PMI Output Indices



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

"The eurozone economy looks set to contract in the fourth quarter given the steepening loss of output and deteriorating demand picture seen in October, adding to speculation that a recession is looking increasingly inevitable."

"While October's headline flash PMI is consistent with GDP falling at a modest rate of around 0.2%, demand is falling sharply and companies are increasingly growing worried over high inventories and weaker than expected sales, especially as winter approaches. The risks are therefore tilted towards the downturn accelerating towards the year-end."

"While the rising cost of living remains the predominant cause of the economic slowdown, the region's energy crisis remains a major concern and a drag on activity, especially in energy intensive sectors."

"Price pressures meanwhile remain stubbornly elevated, as rising energy and staff costs, and the weakened euro, offset any lowering of commodity prices linked to improving supply conditions. As such, the elevated survey price gauges will likely add the ECB's resolve to tighten policy further in the coming months despite the growing recession risk. But there will likely also be some growing discomfort among some policymakers regarding the economic impact of tightening policy too aggressively in the face of other economic headwinds."

-Ends-

PMI®

by S&P Global

Copyright © 2022 S&P Global

News Release

Contact

S&P Global Market Intelligence

Chris Williamson, Chief Business Economist

Telephone +44-20-7260-2329

Mobile +44-779-5555-061

Email: chris.williamson@spglobal.com

Sabrina Mayeen

Corporate Communications

Telephone +44 (0) 7967 447030

Email sabrina.mayeen@spglobal.com

Note to Editors

Final October data are published on 2 November for manufacturing and 4 November 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 ²	0.0	0.2
Services Business Activity Index ²	0.0	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?"

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.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 S&P Global Ltd. All rights reserved. www.spglobal.com

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 joanna.vickers@spglobal.com. To read our privacy policy, [click here](#).

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates. This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.