

## MARKET SENSITIVE INFORMATION

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# S&P Global Eurozone Manufacturing PMI®

## Manufacturing downturn eases further as supply conditions stabilise and inflation cools

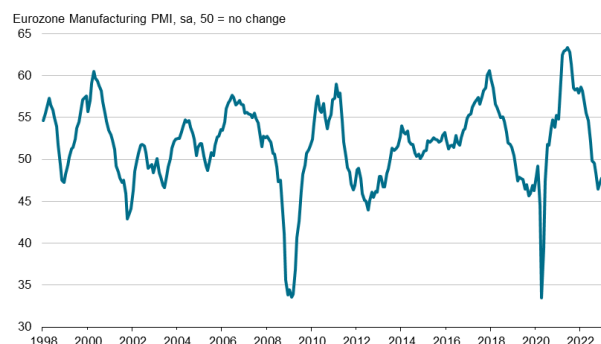
### Key findings:

Final Eurozone Manufacturing PMI at 47.8 (Nov: 47.1). 3-month high.

Final Eurozone Manufacturing Output Index at 47.8 (Nov: 46.0). 6-month high.

Data were collected 05-16 December

### S&P Global Eurozone Manufacturing PMI



Source: S&P Global.

The intensity of the eurozone manufacturing sector downturn eased in the final month of 2022 as softening inflationary pressures and more stable supply-chain conditions created some respite for goods producers. Weakness in client demand remained evident through slumping new order intakes, leading firms to make further inroads into their backlogs instead. Meanwhile, additional increases in pre- and post-production inventories were seen during December despite purchasing activity and production volumes falling. Nevertheless, employment growth continued, while business confidence also edged up to a seven-month high.

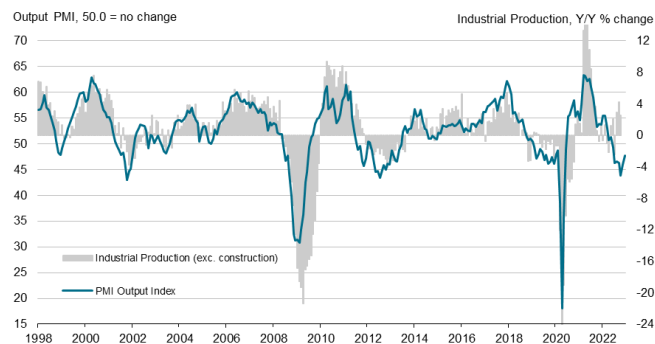
The S&P Global Eurozone Manufacturing PMI® posted below the 50.0 no-change mark in December for a sixth successive month, indicating a deterioration in business conditions facing goods producers across the euro area. However at 47.8, this was up from 47.1 in November and its highest reading for three months, signalling a softer downturn.

Market groups data showed continued deteriorations across consumer and intermediate goods makers, while capital goods producers recorded a marginal improvement.

### Countries ranked by Manufacturing PMI: December

France	49.2 (flash: 48.9)	4-month high
Netherlands	48.6	3-month high
Italy	48.5	5-month high
Austria	47.3	3-month high
Greece	47.2	24-month low
Germany	47.1 (flash: 47.4)	3-month high
Spain	46.4	3-month high

\*Data for Ireland are released 3 January



Source: S&P Global, Eurostat.

All of the monitored eurozone constituents (which together account for an estimated 89% of eurozone manufacturing activity) registered a Manufacturing PMI below the crucial 50.0 mark in December, signalling broad-based weakness. That said, downturns eased with the exception of Greece, which saw a sharper decline in December,

Eurozone manufacturing output fell in December, marking a seventh successive month of contraction. That said, the decrease was only moderate and the weakest since June. The drop in production coincided with a further slump in new order inflows as demand for eurozone goods remained generally subdued. In line with the trend in output, the decline in factory sales weakened since November and was the softest in four months. A slower fall in new export business<sup>1</sup> also helped to alleviate the downturn in overall order books.

In the absence of new business growth, eurozone manufacturers turned attention to their incomplete workloads. The latest survey data pointed to a sharp monthly fall in backlogs in December. Eurozone goods producers subsequently tapered their hiring activity, with the rate of job creation slowing to a 22-month low.

# PMI®

by **S&P Global**

# News Release

To adjust to lower demand, eurozone manufacturers cut their purchases of raw materials and other components at the end of the year. The reduction was steep, but the slowest in three months. Falling input demand helped take pressure off suppliers, with average input lead times stabilising in December amid reports of improving raw material availability.

Stocks of purchases also increased in December, despite the sharp drop in purchasing activity. The rate of accumulation was only marginal and the weakest in 15 months. Meanwhile, following the historically strong expansions in post-production inventories seen in recent months, December data showed the weakest increase over the current seven-month sequence.

Inflationary pressures eased across the euro area manufacturing sector in December. The rate of input cost inflation was still sharp, but the weakest since November 2020. Output charges were subsequently raised to a weaker extent as some companies chose to pass through lower expenses to their clients. Overall, the increase in selling charges was the slowest since March 2021.

Finally, business confidence improved for a second month in a row, rising further from October's two-and-a-half-year low. In fact, future output expectations moved back into optimistic territory for the first time since August. Nevertheless, business sentiment remained historically subdued as inflation, high energy bills and recession risks clouded the outlook.

<sup>1</sup> Includes intra-eurozone trade

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

*"A second successive monthly cooling in the rate of loss of factory output brings some cheer for the beleaguered manufacturing sector as we start the new year. The number of optimists regarding the year ahead has also now exceeded pessimists for the first time since August, hinting at a steady improvement in business confidence.*

*"Prospects have brightened amid signs of healing supply chains and a marked softening of inflationary pressures, as well as a calming of concerns over the region's energy crisis, thanks in part to government assistance. Hence the supply chain and inflation headwinds facing businesses have moderated from the heightened state of alarm seen in the autumn.*

*"The brighter news is tempered, however, by the ongoing weakness of demand, with inflows of new orders continuing to fall at a far faster rate than companies are reducing output, suggesting that manufacturers will have to cut production sharply further in coming months unless demand revives soon. With the global economic backdrop darkening and eurozone interest rates rising again in December, risks to the demand outlook remain skewed to the downside.*

*"As for the year ahead, in addition to watching for potential fiscal and monetary policy changes, high on the list of issues for manufacturers to watch as we head into 2023 will be the impact on supply chains and commodity prices from the changing response to COVID-19 in China, as well as the possibility of sharply changing energy prices amid the changing geopolitical situation, with the Ukraine-Russia war remaining the key threat to stability in the region."*

-Ends-

# News Release

## Contact

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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 December 2022 flash was based on 89% 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](mailto:economics@ihsmarkit.com).

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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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