News Release

MARKET SENSITIVE INFORMATION
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S&P Global Flash Eurozone PMI®

Eurozone economic contraction eases in November, price pressures cool

Key findings:

Flash Eurozone PMI Composite Output Index[(1)] at 47.8 (Oct: 47.3). 2-month high.

Flash Eurozone Services PMI Activity Index[(2)] at 48.6 (Oct: 48.6). Rate of decline unchanged.

Flash Eurozone Manufacturing Output Index[(4)] at 45.7 (Oct: 43.8). 2-month high.

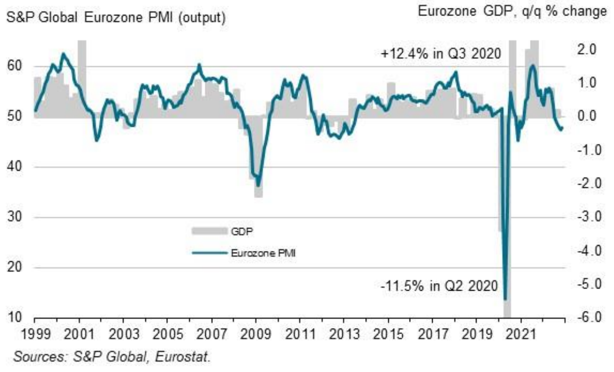
Flash Eurozone Manufacturing PMI[(3)] at 47.3 (Oct: 46.4). 2-month high.

Data were collected 10-21 November

November saw business activity fall across the eurozone for a fifth month running, according to flash PMI data. Although the rate of decline remained the second-strongest since 2013, excluding COVID-19 lockdown months, the intensity of the downturn moderated in response to a reduced rate of loss of new business, fewer supply constraints and a pick-up in business confidence about the year ahead. Business sentiment nevertheless remained gloomy by historical standards, and demand continued to fall at a steep rate, leading to a pull-back in employment growth during the month.

One upside of the weaker demand picture and alleviation of supply constraints was a cooling of price pressures, most notably in the manufacturing sector. Firms' costs rose at the slowest rate for 14 months, in turn allowing selling price inflation to moderate, albeit with rates of inflation remaining elevated.

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** rose from 47.3 in October to 47.8 in November, 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 five consecutive months, albeit with the latest data signalling a moderation in the rate of contraction. Nevertheless, the PMI data for the fourth quarter so far put the eurozone economy on course for its steepest quarterly contraction since late-2012, excluding pandemic lockdown months.

Manufacturing continued to lead the downturn, with factory output dropping for a sixth successive month. Although the rate of production decline eased, the latest fall was still the second-strongest recorded over the past decade if the height of the pandemic is excluded. Service sector output also fell, down for a fourth consecutive month, contracting at an unchanged rate compared to October. However, such a rate of decline had not been witnessed outside of pandemic lockdowns since June 2013.

Within the euro area, **Germany** again reported the steepest downturn, the composite PMI at 46.4 to register a fifth monthly drop in output in as many months. Although the latest decline was the weakest since August, it was still the third largest since 2009 barring pandemic lockdowns. While Germany's manufacturing and service sectors both suffered similarly steep rates of contraction, the former saw a marked cooling in the rate of decline.

Output meanwhile fell in **France**, the composite PMI registering 48.8 to signal the first drop in business activity since February 2021. Service sector output contracted for the first time since March 2021 and manufacturing output fell for a sixth straight month, albeit the rate of decline moderating to the slowest since August.

Output fell in the **rest of the eurozone** for a third month in a row, albeit with November's decline being the smallest seen over this sequence. A marginal return to growth in the service sector contrasted with a steepening fall in factory production, which fell at a rate not seen since March 2013 barring pandemic lockdown months.

By sector, any growth was confined to industrial and software services, media and pharmaceuticals & biotech firms. The steepest downturn was again seen in chemical & plastics, with notably steep declines also recorded for

PMI® by S&P Global

basic resources (linked in part to high energy costs). Especially marked falls also continued to be seen for real estate, transportation, tourism & recreation and autos.

New orders for goods and services meanwhile fell for a fifth month running to signal a further marked drop in demand. Although the rate of loss eased from October, the drop in orders was the second-largest seen in the past two years. While new orders fell at a reduced rate in manufacturing, the rate of loss intensified slightly in services.

The drop in new orders meant companies were again reliant on existing backlogs of work to help maintain business activity levels, causing backlogs of orders to fall for a fifth consecutive month, dropping at the sharpest rate for two years. A particularly sharp decline was again recorded in manufacturing, but backlogs of work also showed a renewed decline in services.

The deteriorating order book situation led to a growing reluctance to add to workforce numbers, resulting in the smallest monthly increase in employment since March 2021. The hiring slowdown was led by the service sector, though factory payroll growth also remained subdued. By country, jobs growth picked up in Germany but deteriorated in France.

One positive consequence of weaker demand was a marked reduction in supply chain delays as input buying fell sharply again. Average supplier delivery times faced by eurozone factories lengthened to the least extent since August 2020. Factories in Germany even reported the first improvement in supplier performance since July 2020.

In addition to facilitating higher production in some cases, the improving supply situation – combined with weakened demand – took further pressure off prices. Average input prices paid by manufacturers rose at a markedly reduced rate as a result, showing the smallest monthly gain since December 2020. Service sector input cost inflation also moderated, down to the second-lowest in the past nine months. Measured across both sectors, input cost inflation cooled to the lowest since September 2021, albeit remaining elevated by historical standards thanks principally to high energy costs.

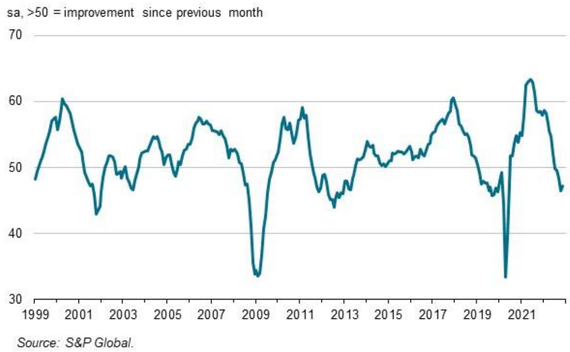
Average prices charged for goods and services also rose at a reduced rate, albeit likewise continuing to climb sharply, the rate of inflation cooling for a second month in a row to register the smallest increase since August. Rates of selling price inflation eased in both manufacturing and services, most notably to a 20-month low in the former.

Finally, business expectations for the year ahead remained subdued, improving slightly for a second successive month but still running at the third-lowest since the early pandemic lockdowns. Confidence continued to be stymied by concerns over the growth outlook, the rising cost of living and the energy crisis, in turn linked to the Ukraine war, as well as rising interest rates.

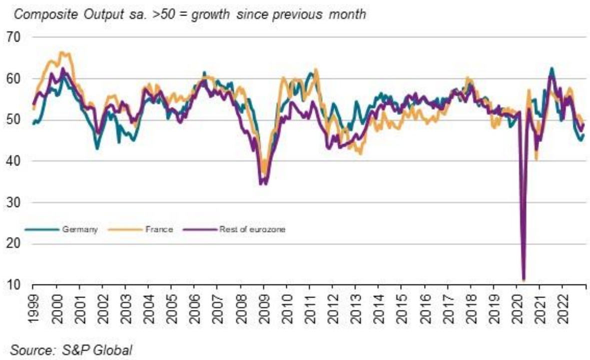
Pessimism about the year ahead nevertheless eased considerably in manufacturing compared to the historically gloomy levels seen in September and October, linked to hopes of fewer energy-led constraints and improving component supply chains, while optimism improved slightly in the service sector to suggest that the overall degree of concern about the outlook has peaked for now.

By country, a less gloomy picture in Germany contrasted with a less positive, yet still optimistic, view of the year ahead in France. Greater optimism was meanwhile seen in the rest of the region.

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:

"A further fall in business activity in November adds to the chances of the eurozone economy slipping into recession. So far, the data for the fourth quarter are consistent with GDP contracting at a quarterly rate of just over 0.2%.

"However, the November PMI data also bring some tentative good news. In particular, the overall rate of decline has eased compared to October. Most encouragingly, supply constraints are showing signs of easing, with supplier performance even improving in the region's manufacturing heartland of Germany. Warm weather has also allayed some of the fears over energy shortages in the winter months.

"Price pressures, the recent surge of which has prompted further policy tightening from the ECB, are also now

showing signs of cooling, most noticeably in the manufacturing sector. Not only should this help contain the cost of living crisis to some extent, but the brighter inflation outlook should take some pressure off the need for further aggressive policy tightening.

"However, it's clear that manufacturing remains in a worryingly severe downturn, and service sector activity is also still under intense pressure, both largely as a result of the cost of living crisis and recent tightening of financial conditions. A recession therefore looks likely, though the latest data provide hope that the scale of the downturn may not be as severe as previously feared."

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Note to Editors

Final November data are published on 1 December for manufacturing and 5 December 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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