

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Flash Eurozone PMI<sup>®</sup>

## Eurozone business activity rises at faster pace, but new orders continue to fall

### Key findings:

HCOB Flash Eurozone Composite PMI Output Index<sup>(1)</sup> at 51.2 (July: 50.2). 3-month high.

HCOB Flash Eurozone Services PMI Business Activity Index<sup>(2)</sup> at 53.3 (July: 51.9). 4-month high.

HCOB Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 45.7 (July: 45.6). 2-month high.

HCOB Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 45.6 (July: 45.8). 8-month low.

Data were collected 12-20 August

Business activity in the euro area's private sector continued to expand modestly midway through the third quarter of the year, according to provisional PMI<sup>®</sup> survey data. Output growth actually picked up to a three-month high in August, hinting at stronger growth momentum. Other signals from the latest set of surveys were less positive, however. New orders continued to fall, while there was a broad stagnation of staffing levels across the currency bloc amid the lowest business sentiment in the year-to-date. Meanwhile, the rate of input cost inflation eased to an eight-month low, but companies raised their selling prices at the fastest pace since April.

There were differing trends across the two broad sectors covered. Overall output growth was driven by a solid increase in business activity in the service sector, with the rate of expansion hitting a four-month high. On the other hand, manufacturing production continued to fall markedly in August. The rate of contraction was broadly unchanged from that seen in July, and therefore among the sharpest in 2024 so far.

A key factor behind the stronger increase in eurozone business activity in August was a renewed expansion in France, where output rose to the largest extent in almost a year-and-a-half. In contrast, the picture in Germany remained subdued, with activity decreasing for the second month running, and at a sharper pace. Meanwhile, the rest of the euro area continued to see output increase midway through the third quarter.

### Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses and compiled by S&P Global, rose to 51.2 in August from 50.2 in July, thereby signalling a faster pace of output growth in the region's private sector following two successive months in which the pace of expansion had slowed. The latest increase in activity was the fastest since May, but still modest nonetheless. Output has now risen in each of the past six months.

As has been the case throughout the current growth sequence, the overall expansion in eurozone business activity was centred on the **service sector**. Services activity increased solidly and at the fastest pace in four months, in large part due to the strongest expansion in France since May 2022 and a further solid rise across the euro area outside the big-2 economies. Meanwhile, services activity in Germany increased modestly. **Manufacturing** across the eurozone remained in contraction, however, seeing production decline for the seventeenth month in a row, and at a marked pace that was broadly in line with that registered in July.

While growth of business activity picked up in August, the demand picture was less positive. **New orders** decreased for the

third month in a row, with the pace of reduction only slightly softer than in July. A modest increase in services new business was outweighed by the largest reduction in manufacturing new orders since the end of last year.

The overall reduction in new business continued to be led by falling **new export orders** (including intra-eurozone trade). New business from abroad was down solidly, and at the fastest pace since February.

## Employment

August data pointed to a fractional reduction in **employment** in the eurozone's private sector, thereby ending a seven-month sequence of expansion. The second consecutive month of broad stagnation in staffing levels was recorded amid a modest increase in services employment and a solid fall in manufacturing workforce numbers. Staffing levels were down in Germany and France, but rose elsewhere.

The fall in new orders meant that companies were still able to keep on top of workloads despite not adding to their staffing levels during August, and were able to work through **outstanding business** over the course of the month. In fact, the latest fall in backlogs of work was solid and the most pronounced since February.

## Inventories and supply chains

Eurozone manufacturers responded to demand weakness by scaling back their **purchasing** of inputs again in August. Buying activity decreased rapidly, and to the largest extent in four months. In turn, **stocks of purchases** also fell markedly. Firms also looked to reduce their **stocks of finished goods**, albeit to the least marked extent since April. **Suppliers' delivery times** shortened for the seventh consecutive month in August amid reduced demand for inputs. The latest improvement in vendor performance was modest, but more pronounced than in July.

## Outlook

As well as being a function of current demand weakness, reductions in employment, purchasing and inventories also coincided with waning confidence regarding the **future outlook** for output. Sentiment dropped to the lowest in 2024 so far and was below the series average. Reduced optimism was widespread, with confidence lower across Germany, France and the rest of the eurozone, as well as in both monitored sectors.

## Prices

Although **input costs** continued to increase markedly midway through the third quarter, the pace of inflation eased to an eight-month low. Services input prices rose at the softest pace since April 2021, while manufacturing cost inflation was unchanged from the 18-month high seen in July.

In contrast to the picture for input costs, the pace of **output price** inflation quickened in August. Selling prices increased at the fastest pace in four months, and at a stronger pace than the series average. Services charges rose at the sharpest pace in three months, while manufacturing output prices increased for the first time since April 2023.

## Comment

Commenting on the flash PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

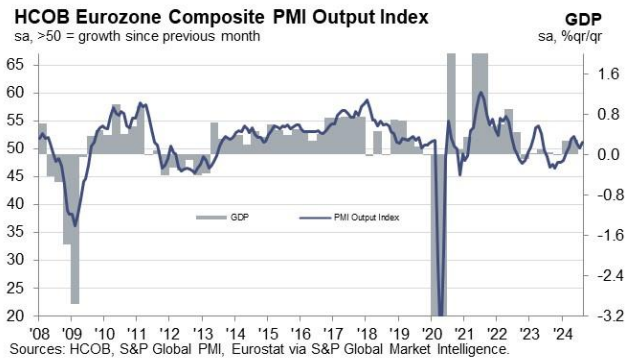
*"At first glance, this looks like a pleasant surprise: activity in the Eurozone picked up in August. But a closer look at the numbers reveals that the underlying fundamentals might be shakier than they appear. The boost largely comes from a surge in services activity in France, with the Business Activity Index jumping by almost five points, likely linked to the buzz surrounding the Olympic Games in Paris. It's doubtful this momentum will carry over into the coming months, however. Meanwhile, the overall pace of growth in the services sector has slowed down in Germany, and the eurozone's manufacturing sector remains in rapid decline.*

*"It's a tale of two worlds. The manufacturing sector remains mired in recession, while the services sector still appears to be growing at a decent clip. But with the temporary Olympic boost in France fading and signs of waning confidence across the Eurozone's service industry, it's likely only a matter of time before the struggles of the manufacturing sector start weighing on services too.*

*"Manufacturers raised their selling prices for the first time since April 2023, a response to three straight months of rising input costs. Despite weakening demand, firms seem to have had little choice but to pass on some of these higher costs to customers. On the bright side, this suggests there's still some pricing power in the market.*

*“The ECB might find some reassurance in the latest price indices. Input costs in the services sector, which are closely watched by monetary authorities due to the significant role wages play, rose at the slowest pace in 40 months. So, even though output prices in the service sector climbed faster than they did in July, the easing of cost pressures strengthens the case for an interest rate cut at the ECB’s September meeting.”*

-Ends-



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## Note to Editors

Final August data are published on 2 September for manufacturing and 4 September for services and composite indicators.

The HCOB 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 <sup>1</sup>	0.0	0.3
Manufacturing PMI <sup>3</sup>	0.0	0.2
Services Business Activity Index <sup>2</sup>	0.0	0.3

The Purchasing Managers' Index™ (PMI<sup>®</sup>) 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@spglobal.com](mailto:economics@spglobal.com).

#### Notes

1. The Composite Output Index 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?"

#### Hamburg Commercial Bank AG

Hamburg Commercial Bank (HCOB) is a private commercial bank and specialist financier headquartered in Hamburg, Germany. The bank offers its clients a high level of structuring expertise in the financing of commercial real estate projects with a focus on Germany as well as neighboring European countries. It also has a strong market position in international shipping. The bank is one of the pioneers in European-wide project financing for renewable energies and is also involved in the expansion of digital and other areas of important infrastructure. HCOB offers individual financing solutions for international corporate clients as well as a focused corporate client business in Germany. The bank's portfolio is completed by digital products and services facilitating reliable, timely domestic and international payment transactions as well as for trade finance.

Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

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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. <https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html>

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