

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0955 CEST (0755 UTC) 3 July 2023

HCOB Germany Manufacturing PMI[®]

German manufacturers make deeper cuts to output in June as order book decline gathers pace

Key findings:

Output and new orders both fall at fastest rate for eight months

Employment growth close to stalling as outlook darkens

Factory gate prices fall for first time since September 2020

Data were collected 12-23 June 2023.

German manufacturing firms reported deeper cuts to production levels at the end of the second quarter, in response to a sustained weakening of demand, according to the latest HCOB PMI[®] survey conducted by S&P Global. Furthermore, expectations towards output prospects in the coming year reached their lowest since last November as surveyed firms cited numerous headwinds to growth.

Goods producers in the eurozone's largest economy meanwhile reported a fall in output prices for the first time since September 2020, reflecting a deepening decline in input costs and growing competitive pressures.

The **HCOB Germany Manufacturing PMI[®]** – which is a gauge of overall business conditions based on measures of new orders, output, employment, supplier delivery times and stocks of purchases – showed a continued deterioration in the health of the sector at the end of the second quarter. At 40.6, down from May's 43.2, the index plumbed its lowest reading for over three years in June.

The worsening performance stemmed from a sustained deterioration in new orders across the sector. Firms commented on a range of factors behind the decline, including customer hesitancy and destocking. Moreover, the rate of contraction in overall order books continued to accelerate, reaching the quickest since October last year. The survey pointed to weaker sales both domestically and abroad, although the decline in new export orders, whilst still sharp, eased slightly in June.

Manufacturers responded to the sustained downturn in demand by cutting production levels for a second successive month in June. The rate of contraction in output was the fastest for eight months, although it was still noticeably slower than that of new orders as firms continued to make inroads into backlogs of work.

Manufacturers were increasingly pessimistic about the year-ahead outlook, with expectations having weakened for the second month running. They voiced concerns about sticky inflation, tightening financial conditions, customer uncertainty and geopolitical tensions.

Factory employment growth slowed to a crawl in June, with the reduction in demand and deteriorating outlook dampening firms' willingness to take on new staff. The rise in factory workforce numbers was the weakest in the current sequence of job creation that stretches back to March 2021.

German manufacturers meanwhile made deep cuts to their purchasing activity in June, citing the influence of lower production requirements and efforts to optimise stocks. Buying levels in fact fell to the greatest extent for just over three years, which in turn contributed to a faster decline in pre-production inventories.

Goods producers' preference for lower stocks was due in large part to improving material availability. Lead times on inputs shortened considerably once again in June, with the rate of improvement the third-quickest in the series history behind those

recorded in March and April.

With supply-demand imbalances continuing to dissipate, there was further downward pressure on manufacturers' purchasing costs at the end of the second quarter. The decline in input prices – which also partly reflected falling energy costs - was the fifth in as many months and the sharpest seen since July 2009.

Competitive pressures led goods producers to pass on some these cost savings through discounts of their own. It resulted in the first decrease in average factory gate charges for almost three years.

Comment

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

"Conditions in the manufacturing sector have undoubtedly worsened, but this is not a crash and we may not see anything of the likes. The HCOB PMI for the manufacturing sector does show that demand for industrial goods is falling sharply and production is declining significantly, especially for intermediate and consumer goods and, for the first time in five months, for capital goods. However, we would not call it a collapse. It's important to remember that new orders began falling from very high levels and manufacturers haven't resorted to job cuts yet, the increase in employment merely slowed in June. A look at the toll index recorded by Destatis, which correlates somewhat with industrial production and where data are available until May, supports the view that we are not heading towards the abyss.

"Despite the decline in demand that began early last year, companies only started to cut their selling prices in June, according to the PMI data, while input prices have already been falling for several months. The most important reason for this certain serenity observed among companies is likely to be the order backlog, which, although declining, is still significantly higher than the historical average according to Destatis data.

"The low headline PMI figure is also somewhat put into perspective by the fact that improved delivery times are negatively included in the overall index as a sign of weak demand. However, the fact is that while delivery times have fallen significantly, this follows a period of unprecedented delays in recent years meaning that we are apparently not back to normal yet, confirmed for example by statistics of the EU commission on material shortages of companies.

"Overall, the PMI data for manufacturing show that a recession in this sector, which was still expanding in the first quarter according to GDP statistics, has become much more likely. However, the signs are still pointing more to a mild downturn and the survey results therefore by no means suggest panic among companies."

-Ends-

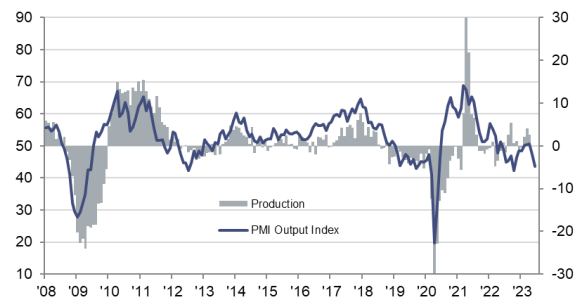
HCOB Germany Manufacturing PMI
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

PMI Output Index

sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI, Statistisches Bundesamt via S&P Global Market Intelligence.

Contact

Hamburg Commercial Bank AG

Dr. Cyrus de la Rubia
Chief Economist
T: +49-160-9018-0792
cyrus.delarubia@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Phil Smith
Economics Associate Director
T: +44-1491-461-009
phil.smith@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

Note to Editors

The HCOB Germany Manufacturing PMI[®] is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 420 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1996.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index[®] (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Flash data were calculated from 95% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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.

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 © 2023 S&P Global Ltd. All rights reserved. www.spglobal.com

About BME

The BME is the German Association for Supply Chain Management, Procurement and Logistics. Founded in 1954 it provides services for around 9750 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME liaises between businesses and academia, both on the demand and the supply side, by providing the necessary networks for communication and knowledge exchange. The association is open to all company types from any sector (industry, trade, banking/insurance, public sector, service providers, etc.).

Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME), Frankfurter Str. 27, 65760 Eschborn, GERMANY

Contact: Frank Rösch, Head of Press and Communications

E-mail: frank.roesch@bme.de Internet: www.bme.de

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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, [click here](#).

Disclaimer

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.