

NEWS RELEASE

MARKET SENSITIVE INFORMATION

Embargoed until 1000 CET (0900 UTC) 22 February 2024

HCOB Flash Eurozone PMI[®]

Eurozone downturn eases as service sector stabilises, but price pressures intensify

Key findings:

HCOB Flash Eurozone Composite PMI Output Index⁽¹⁾ at 48.9 (January: 47.9). 8-month high.

HCOB Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 50.0 (January: 48.4). 7-month high.

HCOB Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 46.2 (January: 46.6). 2-month low.

HCOB Flash Eurozone Manufacturing PMI⁽³⁾ at 46.1 (January: 46.6). 2-month low.

Data were collected 12-20 February

Business activity in the euro area fell at the slowest rate for eight months in February, according to provisional PMI[®] survey data, as a stabilisation of output in the service sector offset a further steep downturn in manufacturing. Business confidence about the year ahead improved, hitting a ten-month high and encouraging firms to raise staffing levels at a pace not seen since last July, adding to signs that the eurozone's downturn is moderating.

By country, a deepening contraction in Germany and sustained output fall in France were countered by faster growth in the rest of the region.

Supplier delivery times improved after the delays seen amid Red Sea shipping disruptions in January, taking further pressure off manufacturing prices. But service sector inflation remained elevated by historical standards, causing overall rates of input cost inflation and selling price inflation to accelerate in February to their highest since last May.

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 from 47.9 in January to 48.9 in February. Although signalling a ninth consecutive month of falling output, February's decline was the smallest since last June. While the latest reading suggests that the eurozone's deepest contraction since 2013 (if early pandemic months are excluded) has persisted into 2024, the rate of decline is showing signs of moderating in the first quarter.

Business conditions continued to vary markedly by sector and country across the eurozone, however, underscoring the weakness of manufacturing in particular, which has in turn hit Germany especially hard.

Manufacturing output fell across the eurozone for an eleventh consecutive month in February, the rate of decline accelerating again after the moderation seen in January to register another month of steep contraction. New orders for goods likewise fell sharply by historical standards (albeit the rate of loss cooling slightly for a fourth month running). In contrast, **service sector business activity** stabilised in February after six months of continual deterioration, linked to an easing in the rate of decline of new business for a fourth straight month to signal only a marginal drop in demand.

Similarly, while export orders fell for both goods and services, a steepening rate of decline in the manufacturing sector contrasted with a moderation in export losses in the services economy.

By country, output fell especially sharply in **Germany**, dropping for an eighth successive month and at the fastest rate since last October. A moderating downturn in Germany's service sector only partially offset a deepening contraction in manufacturing.

Output also contracted in **France**, but the decline was the smallest recorded since France's downturn commenced back in June of last year thanks to moderating rates of deterioration for both manufacturing and services sector output.

The **rest of the eurozone** meanwhile collectively reported growth of output for a second month running, contrasting with the declines seen over the prior five months, enjoying the largest monthly improvement since last May. Faster service sector growth was accompanied by a near stabilisation of manufacturing output.

Employment

Employment increased for a second month running in February after two months of decline at the end of 2023. While the overall rise in payroll numbers was only modest, the latest increase was nevertheless the largest since last July. Again, sector divergences were noteworthy. A steepening rate of job losses in the manufacturing sector contrasted with net hiring reaching an eight-month high in the service sector. A marginal drop in employment in Germany was accompanied by a marginal rise in France and a nine-month high rate of job creation in the rest of the region.

Inventories, supply chains and purchasing

The gloom in the manufacturing sector was further underscored by a continued sharp reduction in **input buying** by factories, which has now fallen for 20 straight months, in turn resulting in a thirteenth successive monthly fall in **inventories of purchases**.

Encouragingly, the ongoing reduction in input buying took pressure off supply chains. **Supplier delivery times** had lengthened for the first time in 12 months in January, largely due to Red Sea related shipping disruptions, but faster lead-times were reported in February in a welcome sign of fewer shipping delays.

Prices

Price pressures lifted higher during February.

Growth of average **input costs** across producers of goods and providers of services accelerated for a second successive month to reach the highest since last May. Although well below highs seen during the pandemic, the latest rise pushed the rate of increase further above the survey's pre-pandemic long-run average to signal elevated cost pressures by historical standards. Service sector input cost inflation rose to a nine-month high and prices fell in manufacturing at the slowest rate for 11 months.

Selling price inflation likewise accelerated, up for a fourth month running in February to also hit the highest since last May. Excluding the price surge seen over the two years to last May, February's rate of inflation was the highest recorded since January 2018 and well above the survey's pre-pandemic long-run average. Although prices charged by manufacturers fell at a slightly increased rate, continuing the disinflationary trend seen for goods over the past ten months, prices levied for services rose at the sharpest rate for nine months, the rate of inflation having now accelerated for four straight months. Excluding the 19-month period to last May, the latest rise in service sector prices was the largest recorded since September 2000.

Outlook

Looking ahead, business optimism about the coming 12 months improved for a fifth successive month in February, rising to the highest since last April. Confidence improved to an 11-month high in the service sector, reviving further from a low-point seen last September. But sentiment in manufacturing slipped slightly from January's nine-month high, albeit remaining far above the low seen last October. Recent months have seen growth prospects improve amid hopes of reduced cost of living pressures and the expectation of lower interest rates in the year ahead, as well as some signs of reduced inventory reduction policies in manufacturing. Year-ahead optimism nevertheless continued to run slightly below the pre-pandemic average, linked in part to economic uncertainty and global geopolitical concerns.

Comment

Commenting on the flash PMI data, Norman Liebke, Economist at Hamburg Commercial Bank, said:

"There is a glimmer of hope as the eurozone inches towards recovery. This is particularly noticeable in the services sector. The corresponding HCOB PMI is now 50 points and has therefore stopped shrinking for the first time since July last year. The latest PMI print gives hope for a recovery in the eurozone, which is why we are sticking to our annual HCOB forecast of 0.8% for 2024. There is also a certain optimism in the latest employment figures, which rose at a faster pace than in the previous month.

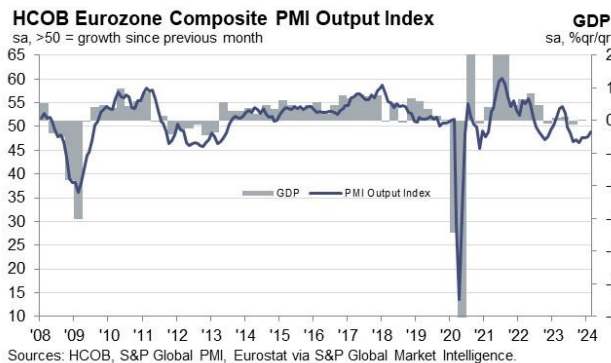
"Germany is acting as a brake on eurozone growth. While France is recovering more strongly in both the services and manufacturing sectors, Germany is lagging behind. The services export sector in particular boosted France in February, while it slowed down Germany. One possible explanation for this could be increased tourism activity, which benefits France more than Germany.

"The manufacturing sector is the drag on the European economy. That is clearly demonstrated by the sharp decline in

production and the drag on new orders. Accordingly, the companies surveyed have further reduced their workforce and the business outlook for the coming twelve months remains below the long-term average, which tends to reflect pessimism.

“The latest HCOB PMI figures are likely to disappoint the ECB. Output prices have increased at a faster pace for the fourth month in a row. This is entirely due to the labour-intensive services sector, which continues to struggle with rising wages. Our forecast remains that the ECB will cut interest rates for the first time in June.”

-Ends-



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Note to Editors

Final February data are published on 1 March for manufacturing and 5 March 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 ¹	0.0	0.3
Manufacturing PMI ³	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@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.

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S&P Global (NYSE: SPGI)

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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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