

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI®

Eurozone manufacturing downturn cools in January

Key findings:

HCOB Eurozone Manufacturing PMI at 46.6 (Dec: 44.4). 10-month high.

HCOB Eurozone Manufacturing PMI Output Index at 46.6 (Dec: 44.4). 9-month high.

Contractions in output, new orders and purchasing ease, but Red Sea disruption lengthens lead times

Data were collected 11-24 January

The slump in the eurozone's manufacturing sector eased in January, with factory output and new orders declining at their softest rates since last April. Cutbacks to purchasing activity, stocks of inputs and employment also cooled, while business confidence rose to a nine-month high.

Decreases in both input costs and output prices gathered momentum in January, despite suppliers' delivery times lengthening for the first time in a year following disruption to ships passing through the Red Sea.

The **HCOB Eurozone Manufacturing PMI**, compiled by S&P Global, rose to 46.6 in January, up markedly from 44.4 in December to its highest level in ten months. While still below the 50.0 no-change mark – as has been the case since July 2022 – and therefore indicative of a further deterioration in manufacturing sector conditions, the headline index signalled a softening of the downturn for the third successive month.

All five components of the Manufacturing PMI exerted a positive directional influence in January. Indices for new orders and output (which combined, account for 55% of the PMI) each increased by over two points at the start of the year. Although they were indicative of further month-on-month contractions, the rates of decline were their weakest for nine months in both instances. A slower rate of deterioration was also seen in new orders from external¹ sources, with export sales falling by the weakest margin since last April.

Nevertheless, January survey data showed substantial spare capacity at eurozone factories, as evidenced by yet another sharp monthly drop in backlogs of work. This was despite the rate of depletion cooling for a third month in succession. Further reductions to employment were made, extending the current period of job shedding that began last June, but cuts to workforce numbers were the softest in four months.

Eurozone manufacturers were less aggressive with purchasing reductions during January. After registering some of the steepest contractions in the survey history during the second half of 2023, input buying fell at the weakest pace since last March. Inventory levels declined further in January, although a softer reduction in pre-production stocks contrasted with a quicker decline in holdings of finished goods.

Sustained (albeit slower) inventory drawdowns remained deliberate, anecdotal evidence showed, with the weak prevailing demand environment a key motivator for firms to hold less stock. This was despite renewed supply chain disruption, caused by the rerouting of ships away from the Suez Canal. According to the latest survey data, suppliers' delivery times lengthened for the first time in a year.

As for prices, January saw sustained declines in input costs and output charges, with rates of decrease accelerating for the first time since last July and last September respectively.

Looking ahead, eurozone manufacturers turned more optimistic in their 12-month growth expectations. This was signalled by

the HCOB Future Output Index rising further above the 50.0 mark to its highest level since last April. Nevertheless, manufacturers' optimism remained subdued by historical standards, with the index recording below its long-term average.

¹ Includes intra-eurozone trade.

Countries ranked by Manufacturing PMI: January

Greece	54.7	21-month high
Ireland	49.5	2-month high
Spain	49.2	10-month high
Netherlands	48.9	12-month high
Italy	48.5	10-month high
Germany	45.5 (flash: 45.4)	11-month high
France	43.1 (flash: 43.2)	4-month high
Austria	43.0	10-month high

Comment

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

"Let's face it, there is a real chance that the manufacturing sector's year-long recession in the eurozone could stretch into the first quarter of this year. Even though the PMI is higher than it was at the end of last year, it is still not hitting the expansion mark. However, ECB president Christine Lagarde is playing it cautiously optimistic. During the January 25th press conference, she said, "If we try to look at PMI numbers in particular (...), we are seeing some encouraging numbers."

"For those with a glass-half-full perspective, the set of manufacturing PMI indicators offers a dose of optimism. Firstly, the headline PMI has marked three consecutive months of increase, a trend mirrored in the forward-looking indicator for new orders. Secondly, there is a broad-based upward trend in sub-indicators, encompassing stock of purchases, backlogs of work, and output. Plus, more companies than during the last nine months are expecting higher output in the coming year. Despite these encouraging signs, a word of caution is in order, as both the headline index and the majority of sub-indices persist within the contraction zone."

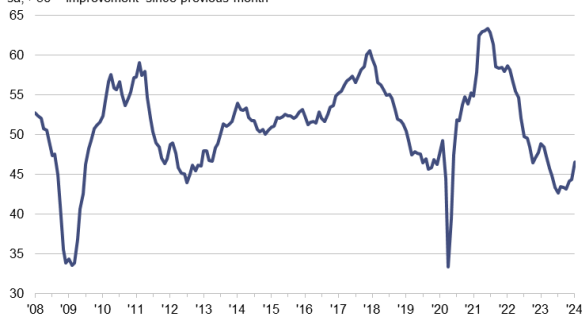
"The eurozone's road to recovery in the manufacturing sector may see its kickoff in the southern economies, potentially acting as a catalyst to lift the larger economies out of the recessionary quagmire. Among the top four eurozone countries, Spain and Italy stand out as the most encouraging, with PMIs climbing by around 3 points and inching closer to the crucial threshold of 50. Although Germany has witnessed a notable improvement in the PMI, it still lingers in contractionary territory, and France's economic situation has remained nearly as dire as it was at the year's end."

"Taking a sector-focused perspective, we are spotting some early signs of improvement. In Italy, the output of intermediate goods increased for the first time in ten months. Over in Spain, the consumer goods' PMI stands solidly in the expansionary territory, and the investment goods sector is edging towards growth. Meanwhile, in Germany, the order situation for investment goods and intermediate goods is trending upward, although it might still take a few months to witness growth."

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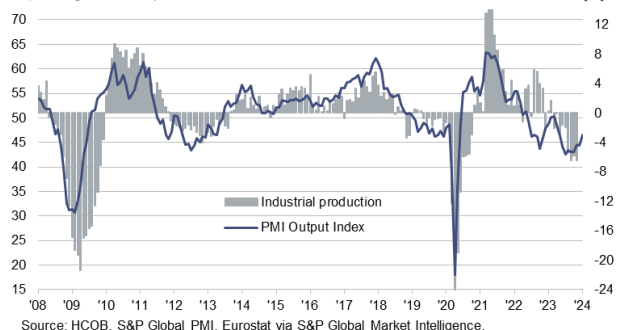
HCOB Eurozone Manufacturing PMI

sa, >50 = improvement since previous month



Manufacturing PMI Output Index

sa, >50 = growth since previous month



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Note to Editors

The HCOB Eurozone Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of manufacturers in Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece, totalling around 3,000 private sector companies. The panels are each stratified by detailed sector and company workforce size, based on contributions to each country's GDP.

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 manufacturing and services survey variable, at the country level. 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.

Eurozone level indices for manufacturing are calculated by weighting together the country indices using national manufacturing annual value added*.

The headline figure is the Manufacturing 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.

*Source: Eurostat.

Flash data were calculated from 91% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.2 in absolute terms).

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

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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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