NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Composite PMI®

Employment drops for first time in nearly three years as eurozone economic activity continues to shrink

Key findings:

HCOB Eurozone Composite PMI Output Index at 47.6 (Oct: 46.5). 4-month high.

HCOB Eurozone Services PMI Business Activity Index at 48.7 (Oct: 47.8). 2-month high.

First month of job losses since January 2021 as new orders and backlogs decrease

Data were collected 9-27 November 2023

The downturn in the euro area economy extended into a sixth month midway through the fourth quarter, with declines in new business and backlogs of work being sustained. The labour market finally succumbed to the downward drag from weakening demand conditions as employment fell for the first time since January 2021. Business confidence, while edging up fractionally, remained subdued by historical standards, and inflationary pressures intensified.

The seasonally adjusted **HCOB Eurozone Composite PMI Output Index**, a weighted average of the HCOB Manufacturing PMI Output Index and the HCOB Services PMI Business Activity Index, recorded a sub-50.0 reading for a sixth successive month in November, signalling another month-on-month reduction in private sector output levels across the eurozone. While the latest reading of 47.6 was up from October's 35-month low of 46.5 and the highest since July, it was still indicative of a solid deterioration in economic conditions.

The euro area's four largest economies all registered contractions in business activity during November. France remained the worst performer, with output declining at a rate that was only slightly softer than September's near three-year record. Germany and Italy saw downturns ease from October, while activity across Spain's private sector shrank for the first time since August. Ireland was the only monitored eurozone constituent to record an expansion in output.

Demand for eurozone goods and services remained a major drag on business activity during November. New business fell for the sixth month running, albeit at the softest rate since July. Manufacturing new orders continued to fall at a sharper rate than demand for services.

Demand from non-domestic[1] clients once again faltered midway through the fourth quarter. New business received from external sources fell sharply and for a twenty-first month in succession. As was the case with total order volumes, export sales performances were considerably worse at manufacturers than service providers.

Falling receipts of new work led eurozone companies to make additional inroads into their backlogs during the latest survey period. As a result, November saw outstanding orders across the private sector fall strongly and for an eighth month running. Weak demand conditions, coupled with falling levels of pending work, clearly weighed on businesses' appetite for hiring as employment fell for the first time in nearly three years. The drop in workforce numbers exclusively reflected job losses at manufacturers, however, as services companies recorded a further, albeit slower, expansion in staffing capacity.

Meanwhile, November survey data indicated a slight intensification of price pressures across the euro area. Input prices rose sharply and at the joint-fastest pace since May (matching that seen in September). The service sector was once again the root of input cost inflation as manufacturers' expenses continued to decrease. Equally, softer factory charge discounting, in tandem with slightly more aggressive price setting by services firms, saw the overall rate of output charge inflation tick up in November.

Lastly, although growth expectations edged up slightly in November, the overall level of positive sentiment was subdued by historical standards.

Countries ranked by Composite PMI Output Index: November

Ireland	52.3	3-month high
Spain	49.8	3-month low
Italy	48.1	2-month high
Germany	47.8 (flash 47.1)	4-month high
France	44.6 (flash: 44.5)	Unchanged

[1]includes intra-eurozone trade.

HCOB Eurozone Services PMI®

The **HCOB Eurozone Services PMI Business Activity Index** remained below the 50.0 mark that separates growth from contraction in November, posting 48.7. This was up slightly from 47.8 in October, but nevertheless signalled a continuation of the service sector's decline in activity that has been ongoing since August.

New business wins fell for a fifth month in succession midway through the fourth quarter. While the rate of decline was the slowest for three months, it was solid overall and outpaced that for activity.

The drag on activity from falling new business was once again partially alleviated by backlogs of work, which fell further during November. The rate of depletion was moderate and broadly in line with the trend since July.

Inflation remained persistent across the eurozone services economy in November, with rates of increase in both input costs and output prices edging higher on the month.

Lastly, business confidence resumed the downward trend seen throughout most of 2023 so far. Firms' growth expectations for the year ahead were weak by historical standards.

Comment

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

"The service sector maintained its downward slide in November. The modest improvement of the activity index does not leave much room for optimism regarding a swift recovery in the immediate future. The sombre outlook is reinforced by the fifth consecutive monthly shrinkage in new business, albeit at a slightly tempered rate in November. Business expectations were subsequently subdued, remaining well below the long-term average and showing a slight dip. As per our GDP nowcast, factoring in the latest PMI indicators, a fall in GDP is on the cards for the fourth quarter. If two consecutive quarters of negative growth define a recession, we find ourselves currently on the brink.

"Service sector narratives in the top four eurozone economies were varied. Spain's service sector maintained a moderate growth pace, France witnessed a rapid contraction, while Germany and Italy find themselves in the realm of stagnation. The contrasting dynamics show France, the second-largest economy, putting the biggest downer on the overall performance of the eurozone's service sector.

"Service providers navigate a pricing puzzle. While depressed demand calls for price cuts to spark interest, uncomfortably high input price inflation urges an increase to avert losses. Presently, firms are choosing the latter path, but the strategy is not without risks. Consumer pullbacks to rising prices might escalate, dampening appetites for consumer services even further.

"Taking the perspective of the European Central Bank (ECB), the persistence of strong service provider pricing power amid an economic slowdown is worrisome. It means that the tightening of monetary conditions faces some difficulties in having its desired impact on inflation. The ECB confronts a pivotal decision: continue with interest rate hikes or place faith in the ongoing transmission of these hikes to prices. As of now, indications suggest a strong bias towards the latter choice."

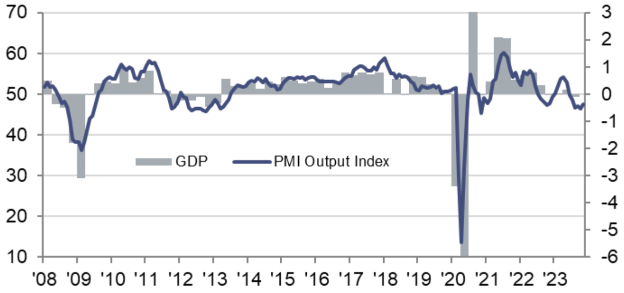
-Ends-

HCOB Eurozone Composite PMI Output Index
sa, >50 = growth since previous month

Source: HCOB, S&P Global PMI.

Composite PMI Output Index
sa, >50 = growth since previous month

Gross domestic product (GDP)
%qr/qr



Source: HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

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Note to Editors

The HCOB Eurozone Composite 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, and of service providers in Germany, France, Italy, Spain and Ireland, totalling around 5,000 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 and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Composite eurozone level indices are calculated by weighting comparable manufacturing and services indices using eurozone manufacturing and services annual value added*.

The headline composite figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

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 composite data were calculated from 87% of final responses. Since January 2006 the average difference between final and flash Composite PMI Output Index values is 0.0 (0.3 in absolute terms). Flash services data were calculated from 81% of final responses. Since January 2006 the average difference between final and flash Services PMI Business Activity Index values is 0.0 (0.3 in absolute terms).

For further information on the PMI survey methodology, please contact economics@spglobal.com. *Source: Eurostat.

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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