

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI[®]

Euro area manufacturing production falls at steepest pace in 2024 to date

Key findings:

HCOB Eurozone Manufacturing PMI at 45.0 (Aug: 45.8). 9-month low.

HCOB Eurozone Manufacturing PMI Output Index at 44.9 (Aug: 45.8). 9-month low.

New orders and output decrease at fastest rates since December 2023

Data were collected 12-23 September

The euro area's manufacturing sector slid deeper into contraction at the end of the third quarter, latest HCOB PMI[®] survey data showed, as key barometers of factory strength such as production, new orders, employment and procurement activity all declined at quicker rates. Eurozone goods producers also downwardly adjusted their inventories as business growth expectations slumped to a ten-month low.

After three successive months of no change, the **HCOB Eurozone Manufacturing PMI**, a measure of the overall health of eurozone factories compiled by S&P Global, fell in September to 45.0, from 45.8 in August, to signal a marked and accelerated deterioration in the health of the euro area's goods-producing economy. Notably, the survey's headline index fell to its lowest level in the year-to-date and was below the average seen across the current 27-month downturn.

As per the general trend in 2024, pockets of growth appeared in the south of the eurozone. National PMI survey data revealed Spain as having the strongest-performing manufacturing economy in September, with growth here quickening to a four-month high. Greece also continued its expansion sequence, although the upturn cooled markedly to its weakest in a year. Improvements in the south were strongly offset by sustained weakness elsewhere, particularly in the euro area's largest manufacturing sector, Germany, which recorded its most pronounced worsening of factory conditions for 12 months.

Goods production across the eurozone as a whole continued to decline at the end of the third quarter. Moreover, the pace of contraction was the quickest in the year-to-date. Lower output volumes were a response to the prevailing demand environment, which deteriorated further during September. The latest drop in new orders was sharp and the fastest since December last year. Sales performances were also adversely impacted by conditions overseas, with the latest survey data signalling an accelerated decrease in new business from abroad*.

The HCOB PMI figures for September also indicated broad-based retrenchment by eurozone factories during the latest survey period. For example, purchasing activity shrank at the quickest pace since last December, while inventories of both pre- and post-production items were depleted more rapidly than in August. Furthermore, staffing capacity continued to be cut and the overall pace of job shedding was the most pronounced since October 2012, excluding pandemic-hit months.

With the level of incoming new orders shrinking further, eurozone goods producers made additional inroads to their backlogs of work at the end of the third quarter. The rate of depletion was sharp overall and the steepest in the year-to-date.

Meanwhile, the recent trend of shortening delivery times came to an end in September, latest HCOB PMI data indicated, as eurozone manufacturers reported minor delays from vendors. Nevertheless, input costs declined for the first time since May. The price of goods leaving the factory gate across the euro area also decreased in the final month of the third quarter. This contrasted with August, where selling prices were raised for the first time since April 2023. Overall, the extent to which charges were discounted was marginal, but the most pronounced in four months.

Looking ahead, eurozone manufacturers remained slightly optimistic on balance, with those forecasting growth over the next 12

months still outnumbering those predicting contraction. Nevertheless, the overall level of positive sentiment was its weakest in ten months and markedly below the series long-run average.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: September

Spain	53.0	4-month high
Greece	50.3	12-month low
Ireland	49.4	3-month low
Italy	48.3	2-month low
Netherlands	48.2	2-month high
France	44.6 (flash: 44.0)	3-month high
Austria	42.8	6-month low
Germany	40.6 (flash: 40.3)	12-month low

Comment

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

“It is a real shame that Spain is only the fourth-largest economy in the eurozone. While handling the global manufacturing downturn surprisingly well, Spain just does not have enough weight to lift the rest of the eurozone with it. The worsening industrial slump in Germany, for example, is too big for Spain’s momentum in September to make much of a difference. According to our nowcast model, eurozone industrial production will likely drop by around 1% in the third quarter compared to the last one. With incoming orders plummeting fast, we can expect another dip in production by year-end.

“The ECB will be pleased to see that purchase prices fell in September, especially after three months of rising prices. The drop in oil and natural gas prices helped bring down input costs, and companies passed some of that savings on to their customers. But let’s not get too comfortable – these price declines might not last. With the situation in the Middle East heating up, there’s always the chance that energy prices could spike again.

“What started as a slow trickle of job cuts in the middle of last year has now turned into a pretty significant reduction in employment. This will probably show up soon in the less timely official unemployment statistics, which have been fairly stable so far.

“It is not just falling demand that is hitting companies – they are also dealing with supply-chain headaches. This combination is pretty rare and, over the last 30 years, we’ve only really seen it during the pandemic. Typically, when demand drops, delivery problems tend to ease up. But this time, since June, the index tracking delivery issues has been dropping alongside new orders and for the first time since February, businesses are saying they are having to wait even longer for goods than they did in the previous month. The ongoing geopolitical tensions are obviously taking their toll here.”

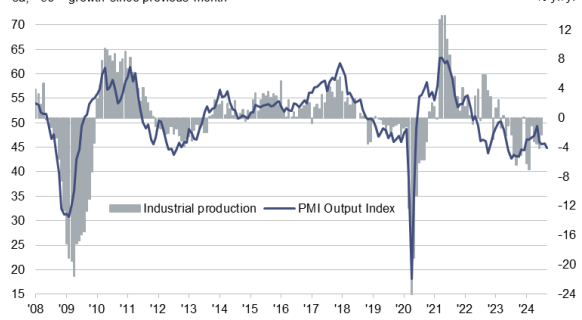
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HCOB Eurozone Manufacturing PMI
sa, >50 = improvement since previous month



Sources : HCOB, S&P Global PMI.

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



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

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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 86% 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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