

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Flash Eurozone PMI[®]

Employment falls for first time in almost three years as eurozone downturn continues

Key findings:

HCOB Flash Eurozone Composite PMI Output Index⁽¹⁾ at 47.1 (October: 46.5). 2-month high.

HCOB Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 48.2 (October: 47.8). 2-month high.

HCOB Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 44.3 (October: 43.1). 6-month high.

HCOB Flash Eurozone Manufacturing PMI⁽³⁾ at 43.8 (October: 43.1). 6-month high.

Data were collected 09-21 November

Business activity in the euro area continued to fall during November, according to provisional PMI[®] survey data, amid a further solid decline in new orders. Both output and new business have now decreased in each of the past six months. That said, in each case the rate of contraction was softer than in the previous survey period. Spare capacity as a result of waning demand and relatively muted confidence in the outlook led companies to lower their staffing levels for the first time since the start of 2021, while purchasing activity and inventories were also scaled back.

The rate of input cost inflation hit a six-month high midway through the final quarter of the year, with the pace of increase in selling prices also quickening despite ongoing reductions in new orders. Inflation was mainly centred on the service sector as prices in manufacturing continued to decline.

Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses, posted 47.1 in November to signal a sixth consecutive monthly reduction in business activity across the euro area's private sector. Although solid, the rate of contraction eased from that seen in October, when the headline index had been at a near three-year low of 46.5.

While both the manufacturing and service sectors saw business activity decrease, the rate of contraction was again more pronounced in the former. **Manufacturing production** was down for the eighth month running, and at a rapid pace, albeit one that was the least marked since May. Meanwhile, **services activity** decreased for the fourth successive month, but at a modest and softer pace.

The overall reduction in business activity was again mainly a symptom of falling **new orders**. As has been the case in each month since June, companies in the eurozone reported a decline in new business. The latest reduction was marked, but the softest in four months amid weaker falls in both manufacturing and services. **New export orders**, including intra-euro area trade, continued to decrease rapidly.

With new orders down, companies again depleted their **outstanding business** midway through the final quarter. Backlogs of work decreased for the eighth month running, and at a marked pace that was only slightly weaker than that recorded in the previous survey period.

Employment, inventories and purchasing

Spare capacity as a result of the drop off in new work inflows meant that firms scaled back their **workforce numbers** during

November, following no change in October. The fall in employment was the first in just under three years, but only marginal. The overall reduction was driven by manufacturing where jobs were cut to the largest extent since August 2020. In contrast, service providers continued to expand their staffing levels. That said, the rate of job creation in services was slight and the slowest in three months.

As well as scaling back employment, manufacturers also cut their **purchasing activity** rapidly and lowered inventories of both **purchases** and **finished goods**. The current sequence of falling input buying has now been extended to 17 months. Falling demand for inputs meant that **suppliers' delivery times** shortened again. Vendors were able to speed up their deliveries for the tenth month in a row, and to a slightly greater extent than in October.

Prices

Eurozone companies recorded a further increase in **input costs**, often as a result of higher wages in the service sector. The overall rise was the fastest since May and broadly in line with the average since the series began in 1998. The overall picture masked marked divergences between the two monitored sectors, however. While services input prices continued to increase rapidly, a further sharp decrease in input costs was seen in manufacturing, with the pace of reduction marginally quicker than that seen in October.

These divergent trends were also evident with regards to **selling prices**, which increased in services but fell in manufacturing. Factory output prices were down for the seventh straight month as firms passed on cost savings to customers amid sharply falling demand, while services charge inflation intensified to a three-month high. Overall, output prices increased solidly in November, with the rate of inflation ticking up from October.

Outlook

November saw business confidence in the euro area remain unchanged from the previous month, with firms moderately optimistic regarding the outlook for activity over the coming year. Sentiment was weaker than the series average, however. A slight improvement in confidence at manufacturers was balanced out by a marginally less optimistic outlook in the service sector.

National trends

Continuing the recent trend, the overall downturn in the eurozone was driven in large part by the two largest economies – Germany and France. **France** posted the sharpest reduction in November as output fell markedly on the back of the steepest decline in new orders in three years. Rates of contraction in output and new orders in **Germany** eased, but they remained solid overall. Business activity has now decreased in each of the past five months. While output also decreased in the **rest of the euro area** in November, the rate of decline was only modest. Moreover, the rest of the eurozone continued to record job creation, contrasting with the picture in France and Germany.

Comment

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

“The Eurozone economy is stuck in the mud. Over the last four to five months, the manufacturing and services sectors have both been experiencing a relatively constant contraction pace. Considering the flash PMI numbers for November in our nowcast model indicates the potential for a second consecutive quarter of shrinking GDP. This would align with the commonly accepted criterion for a technical recession.

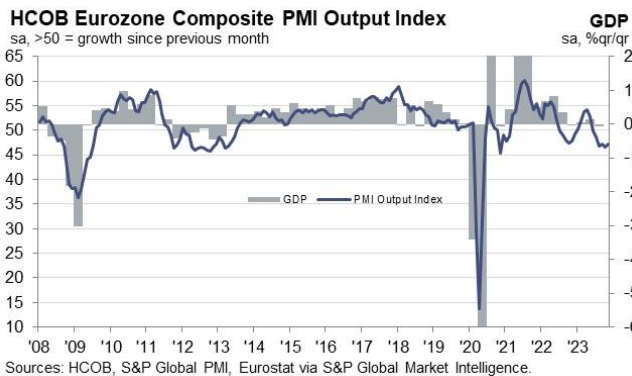
“This is certainly not what the ECB likes to see. Despite the prevailing economic weakness, service providers continue to forge ahead with faster price increases in November, propelled by the astonishingly rapid and even accelerating increase in input costs. The latter can be mostly attributed to above average increases in wages, which play a major role in the services sector.

“The economic weakness, initially impacting industrial workers' jobs by mid-2023, is now poised to reach the services sector jobs market. Employment growth in this domain has nearly come to a standstill. Anticipating a continued downward trend for the next few months, there is a possibility of an uptick in the unemployment rate, which has shown resilience thus far.

“Looking for positive news, the spotlight falls on new orders. While they continue to contract at a brisk pace, the latest decline was the softest in four months. Coupled with a modestly improved outlook for manufacturing activity in the next 12 months, one might find rays of hope gleaming on the horizon for the coming year.

“The top two economies of the Eurozone find themselves in the grip of considerable weakness, with a slight advantage favouring Germany in November. Signs of improvement emerge as the composite index in Germany increased, contrasting with a weakening trend in France. However, challenges loom for Germany as it struggles to deliver on public investments, following the constitutional court's insistence on complying with the debt brake, potentially relegating Germany to the back seat in 2024.”

-Ends-



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Note to Editors

Final November data are published on 1 December for manufacturing and 5 December 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.

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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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