

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

PMI dips back into contraction as eurozone factory orders decline

Key findings:

HCOB Eurozone Manufacturing PMI at 49.8 (Aug: 50.7). 2-month low.

HCOB Eurozone Manufacturing PMI Output Index at 50.9 (Aug: 52.5). 2-month low.

New orders decrease at fastest pace in six months and business confidence weakens

Data were collected 11-23 September

Factory operating conditions within the eurozone worsened at the end of the third quarter, reversing August's improvement. September's contraction in the headline HCOB PMI[®] was driven by a reduction in new order inflows and a sharper rate of job shedding. Production volumes continued to expand, although the pace of growth slowed markedly from August's near three-and-a-half-year high. As for factory purchasing activity, September saw cutbacks accelerate, while pre- and post-production inventories were reduced further. Firms remained optimistic on balance that output would rise from present levels over the coming year, although expectations were their softest since April.

As for prices, there were broad-based declines at the end of the third quarter as both input costs and output charges fell marginally.

The **HCOB Eurozone Manufacturing PMI[®]**, a measure of the overall health of eurozone factories compiled by S&P Global, slipped back into contraction in September, reversing the first improvement seen in over three years during August. Falling from 50.7 in August to 49.8, the headline index signalled a deterioration in factory operating conditions across the euro area. That said, the decline was only marginal overall.

Across the eight monitored euro area nations covered by the Manufacturing PMI survey, there was an even split between those in expansion and those in contraction. At the top of the rankings was the Netherlands, where conditions improved at the fastest pace since July 2022. Greece and Spain continued their growth trends, although upturns slowed on the month. The final eurozone country in expansion mode was Ireland. Weakness was recorded across the currency union's three biggest economies – Germany, France and Italy – with respective Manufacturing PMIs posting below the critical 50.0 level.

Pulling the headline index into the contraction zone was a marked decline in its weightiest component, new orders. After rising for the first time in almost three-and-a-half years in August, the volume of new orders received by eurozone manufacturers decreased in September. The pace of contraction was mild but nevertheless the fastest since March. Export* markets were a drag on total sales, with new business received from overseas falling for a third month in succession and to a slightly stronger degree. That said, manufacturing production volumes expanded, stretching the current sequence of growth that began in March. The upturn lost momentum, however, easing from August's solid pace.

Further growth in output was achieved despite ramped up job cutting at eurozone factories. Workforce numbers fell at the quickest rate in three months. Manufacturers were also able to make greater inroads to their backlogs of work in September. The rate of reduction in outstanding orders was the most marked since June.

Purchasing was reduced by surveyed companies at the end of the third quarter. After coming close to stabilising as recently as July, the rate of decline in buying activity has accelerated in back-to-back months. Subsequently, manufacturers' demand for inputs shrank at the steepest pace since April. Destocking remained prevalent across the goods-producing sector, with both pre- and post-production inventories falling at solid rates during the latest survey period. Stock depletion came amid evidence of

pressure on supply chains as delivery times lengthened to the greatest extent in just shy of three years.

For the first time since June, eurozone manufacturers reported lower operating costs – a notable deviation from the solid inflationary trend witnessed across the survey on average. The decrease was only marginal, however. In turn, eurozone manufacturers responded by lowering their own charges. This marked the fifth month in succession that surveyed businesses have discounted prices.

Looking ahead, euro area goods producers were optimistic that output would be higher than present levels in 12 months' time, although expectations were their weakest since April.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: September

Netherlands	53.7	38-month high
Greece	52.0	2-month low
Ireland	51.8	2-month high
Spain	51.5	3-month low
Germany	49.5 (flash: 48.5)	2-month low
Italy	49.0	3-month low
France	48.2 (flash: 48.1)	2-month low
Austria	47.6	3-month low

Comment

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

“For the seventh month in a row, production in the Eurozone has ticked upwards compared to the previous month, but progress has been sluggish. There is no clear sign that things are about to pick up speed anytime soon. Incoming orders dipped slightly and mostly flatlined through spring and summer. As a result, companies continued trimming staff and cutting down inventory levels in September.

“The drop in the PMI is showing up across the board, with respective figures for consumer goods, capital goods and intermediate goods all down on the month. Especially in the latter two, we’re seeing a break in the upward trend that started late last year and had pushed both sectors into growth territory by August. The consumer goods sector, which had been relatively stable compared to the others, might take a hit from the new 100% U.S. tariffs on pharmaceuticals.

“The stagnation observed in the manufacturing sector can also be viewed positively. Considering the headwinds like U.S. tariffs, political uncertainty in France and Spain (where both governments are under fire), Germany’s rocky start with its new administration, and broader geopolitical tensions, Europe’s industrial sector is holding up surprisingly well. It is showing resilience. Still, the longer reforms are delayed and the business environment stays unfavourable due to high energy costs and red tape, the harder it gets for companies to stay profitable and competitive. Against this backdrop it is not a surprise that confidence among businesses is lower than the average of the past ten years.

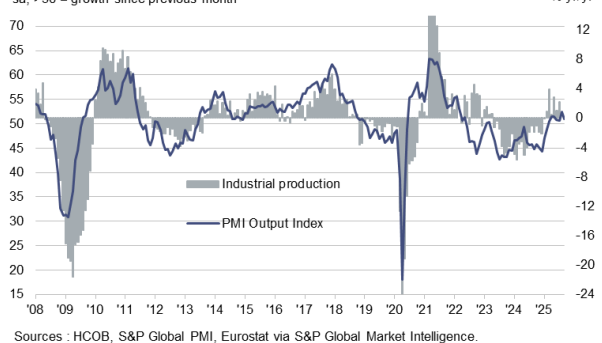
“In mid-sized Eurozone economies like the Netherlands and Spain, manufacturing is actually growing. Meanwhile, in the big three, Germany, France, and Italy, the recession that started back in 2022-2023 is easing but has not fully ended. Germany’s manufacturing sector outlook for next year is looking up, backed by a recent report from leading economic institutes projecting 1.6% growth in this sector. France manufacturers, on the other hand, face a more subdued outlook, largely due to its fragile government, which could soon stumble over the 2026 budget.”

-Ends-

HCOB Eurozone Manufacturing PMI



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



Contact

Hamburg Commercial Bank AG

Dr. Cyrus de la Rubia
Chief Economist
T +49-(0)160-9018-0792
cyrus.delarubia@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Chris Williamson
Chief Business Economist
Telephone +44-207-260-2329
chris.williamson@spglobal.com

Hannah Brook
EMEA Communications Manager
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

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

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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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