NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI®

Eurozone production edges up but factory orders stagnant

Key findings:

HCOB Eurozone Manufacturing PMI at 50.0 (Sep: 49.8). 2-month high.

HCOB Eurozone Manufacturing PMI Output Index at 51.0 (Sep: 50.9). 2-month high.

New orders flatline and employment falls in October, but output creeps higher

Data were collected 9-24 October

Manufacturing output across the euro area expanded again in October, stretching the current run of expansion into an eighth month. That said, the pace of growth remained mild amid stagnant new orders and lower employment. Inventory reductions continued, with volumes of both production inputs and finished goods decreasing to extend a protracted sequence of destocking. Notably, Input costs were unchanged from September, but prices charged were increased marginally.

Looking ahead, eurozone manufacturers were optimistic that output levels would be higher in 12 months' time. However, expectations nudged slightly lower on the month and were weak by historical standards.

The **HCOB Eurozone Manufacturing PMI®**, a measure of the overall health of the eurozone manufacturing sector compiled by S&P Global, posted 50.0 in October, signalling no change in operating conditions when compared to the previous month. Stagnation follows on from a fractional deterioration in September (49.8).

Manufacturing conditions were the strongest in the south of the eurozone during October. Greece and Spain saw the strongest improvements, with respective index readings ticking up on the month. The Netherlands – September's top performer – saw its expansion slow to a four-month low and growth in Ireland also lost momentum. Contractions continued in Germany, France and Austria, although rates of decline lost momentum in all three instances. Italian manufacturing conditions were broadly unchanged.

October marked an eighth straight monthly expansion in factory production across the euro area. The rate of growth was mild overall and narrowly weaker than the average seen over the current sequence. Higher output levels were attained despite stagnant new orders. Over the past three-and-a-half years, demand for euro area goods has risen in just one month (August this year). New export* orders remained a drag on factory sales, declining for a fourth month in a row.

Eurozone manufacturers registered lower employment levels during October, extending the current sequence of job losses to just shy of two-and-a-half years. The rate of decrease quickened slightly and was the sharpest since June. Nevertheless, backlogs of work were reduced, indicating absent capacity pressures. The rate of depletion was modest and the softest in three months.

Inventory levels were once again lowered across the euro area in October, extending an already protracted period of cutbacks to stocks. Furthermore, both pre- and post-production holdings were reduced at rates which were stronger than their respective series averages. Purchases of raw materials and intermediate products decreased for a fortieth month in a row at the start of the fourth quarter, although average delivery times from suppliers continued to lengthen. In fact, the extent to which delays were reported was the most prevalent in three years.

As for price trends, no change in firms' operating costs was signalled by October survey data, following a marginal drop in the prior month. Nevertheless, prices charged increased for the first time since April. Mark-ups were limited however, with the rate of charge inflation only marginal.

Looking ahead, eurozone manufacturers were optimistic towards the year-ahead outlook for production. That said, the overall level of positivity declined for a second month in a row and was below its long-term trend.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: October

Greece	53.5	2-month high
Spain	52.1	2-month high
Netherlands	51.8	4-month low
Ireland	50.9	10-month low
Italy	49.9	2-month high
Germany	49.6 (flash: 49.6)	2-month high
Austria	48.8	2-month high
France	48.8 (flash: 48.3)	2-month high

Comment

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

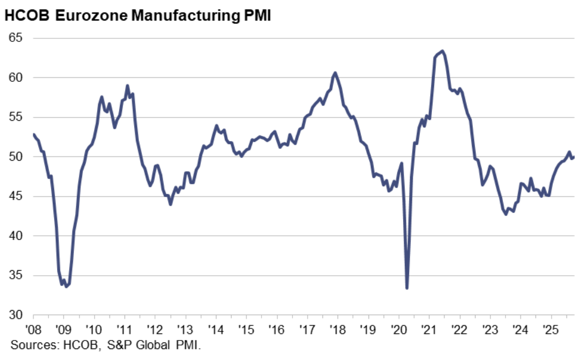
"In the eurozone's manufacturing sector, we can at best speak of a very delicate sprout of economic recovery. Output has risen for eight consecutive months, but there is no real momentum as it is increasing at pretty much the same modest pace as in the previous months. Meanwhile, demand across the eurozone economy remained subdued, with new orders stagnating at the same level as the month before.

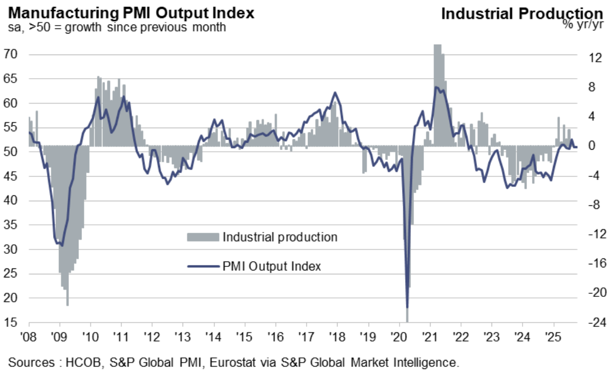
"Job cuts continued and even picked up a bit. This is the result of weak demand, which is forcing companies to cut costs or boost productivity. Supply chain uncertainties, especially around basic semiconductors, may have contributed to longer delivery times and could weigh on production in sectors like automotive and mechanical engineering. For this reason alone, many companies are unlikely to be in any rush to hire more staff in the short term.

"The state of the eurozone's manufacturing sector can be summed up as fragile in Germany, in recession in France, persistently weak in Italy, and showing only subdued growth in Spain. The politically tense situation in France is clearly not only contributing to the renewed slump in production there, but is also reflected in a sharp drop in the index for future output. France is significantly dampening demand for industrial goods across other eurozone countries, where it ranks among the top trading partners.

"The inventory cycle still shows no signs of a turnaround. Companies continue to reduce stock levels, both in terms of intermediate goods and finished products. In the short term, this may also be linked to the issues with semiconductor deliveries. But the more important reason for the inventory drawdown is likely the simple fact that demand in the industrial sector remains weak."

-Ends-





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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.

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.

S&P Global (NYSE: SPGI)

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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