

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

Renewed fall in Eurozone business activity as services joins manufacturing in contraction

Key findings:

HCOB Flash Eurozone Composite PMI Output Index⁽¹⁾ at 48.1 (October: 50.0). 10-month low.

HCOB Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 49.2 (October: 51.6). 10-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 45.1 (October: 45.8). 2-month low.

HCOB Flash Eurozone Manufacturing PMI⁽³⁾ at 45.2 (October: 46.0). 2-month low.

Data were collected 12-20 November

Eurozone business activity moved back into contraction in November, according to provisional PMI[®] survey data, the second time in three months in which this has been the case. Meanwhile, confidence in the outlook for output dropped to the lowest for just over a year. Companies continued to face challenges securing new orders, which decreased for the sixth month running and at a solid pace. With new business and backlogs of work falling, firms also scaled back workforce numbers, albeit only marginally. Meanwhile, rates of inflation of input costs and output prices ticked up from October, but in both cases were weaker than the average for the year-to-date.

The renewed decline in output was recorded as business activity in the service sector decreased for the first time in ten months, joining manufacturing in contraction territory. Manufacturing posted the faster pace of reduction, however, as production declined at a marked pace that was sharper than was seen in October.

Differences in performance within the euro area were again evident midway through the final quarter of the year. Germany and France each saw output decrease to larger extents than in October, with France posting the fastest fall in activity since January. On the other hand, the rest of the Eurozone continued to see business activity increase, albeit the rate of expansion was only slight and the slowest in the current 11-month sequence of growth.

Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses and compiled by S&P Global, dropped to 48.1 in November, after having registered at the no-change mark of 50.0 in October. Output has now decreased in two of the past three months. Although modest, the rate of contraction in November was the most marked since January.

For the first time since the opening month of the year, both monitored sectors saw output decrease in November as services joined manufacturing in contraction. The reduction in services activity was only slight, however, and much weaker than that seen in manufacturing, where the pace of decline quickened from October. Manufacturing production has now decreased in each of the past 20 months.

Falling business activity reflected a waning demand environment. **New orders** decreased for the sixth month running in November, and at the fastest pace in 2024 so far. Sharper reductions in new business were seen across both manufacturing and services.

In line with the picture for total new orders, **new business from abroad** (which includes intra-Eurozone trade) also declined to the largest extent since the end of last year. New export orders were down sharply, and to a greater degree than seen for total

new business.

Outlook

The renewed reduction in business activity in November was accompanied by waning **confidence** in the year-ahead outlook. Business sentiment dropped sharply and was the lowest since September 2023. The overall loss of confidence was centred on the service sector, where optimism fell to a two-year low. Pessimism was seen in France for the first time in four-and-a-half years, while German companies were slightly more confident than in October. Meanwhile, the rest of the euro area remained strongly optimistic in the 12-month outlook for output, albeit slightly less so than in the previous month.

Employment

Companies in the Eurozone lowered **employment** for the fourth consecutive month in November, although the rate of job cuts was only marginal and softer than seen in October. There were divergent trends between the two monitored sectors, however. Manufacturing workforce numbers decreased markedly, and to the largest degree since August 2020. Meanwhile, services employment continued to increase, with the latest rise the fastest in four months. Staffing levels fell in Germany, but rose in France and in the rest of the Eurozone.

There remained evidence of spare capacity in the private sector as **backlogs of work** decreased again. Moreover, the latest depletion in outstanding business was the greatest since January.

Prices

The rate of **input cost** inflation quickened to a three-month high in November, but was still slower than the average over 2024 so far. A sharp increase in services input prices was mitigated to some extent by falling input costs in the manufacturing sector.

Output prices also rose at a pace that was faster than in October but softer than on average across the opening 11 months of the year. In line with the picture for input costs, higher charges for services contrasted with falling selling prices in manufacturing. At the composite level, output prices increased in Germany, France and across the rest of the Eurozone.

Inventories and supply chains

With the euro area's manufacturing sector remaining in decline, firms scaled back their **purchasing activity** again in November. In fact, the sharp contraction was the fastest in the year-to-date. **Stocks of both purchases and finished goods** were also lowered to larger degrees than in October. Finally, **suppliers' delivery times** were broadly stable, lengthening only fractionally and to a lesser extent than in the previous survey period.

Comment

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

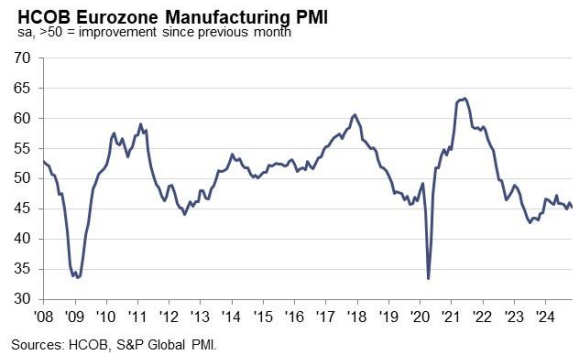
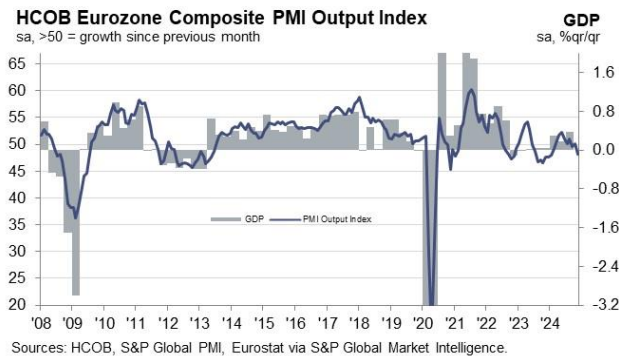
"Things could hardly have turned out much worse. The eurozone's manufacturing sector is sinking deeper into recession, and now the services sector is starting to struggle after two months of marginal growth. It is no surprise really, given the political mess in the biggest eurozone economies lately – France's government is on shaky ground, and Germany's heading for early elections. Throw in the election of Donald Trump as US president, and it is no wonder the economy is facing challenges. Businesses are just navigating by sight."

"The services sector took an unexpected dive, with activity dropping for the first time since January. We thought that lower inflation and higher wages would boost consumption and demand for services, but that hope has been dashed. It doesn't look like a recovery is coming anytime soon since both new orders and order backlogs have fallen even faster than in October."

"The environment in November is stagflationary. On one hand, activity is declining across the board, while on the other, input and output prices are rising more quickly. This surge is driven by services costs, which ties in with the sharp rise in wages in the eurozone in the third quarter. Service sector selling price inflation is a major headache for the ECB. Given this backdrop, some ECB members might even argue for a rate pause in December, but most will probably stick with a 25-basis point rate cut."

"In November, manufacturing purchase prices didn't drop as much as the previous month. If the euro keeps weakening, purchase prices might even rise in the coming months, especially if the EU Commission imposes counter-tariffs in response to potential US tariff hikes."

-Ends-



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Note to Editors

Final November data are published on 2 December for manufacturing and 4 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	0.1	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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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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