

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI®

Euro area factory output declines for first time since February 2025

Key findings:

HCOB Eurozone Manufacturing PMI at 48.8 (Nov: 49.6). 9-month low.

HCOB Eurozone Manufacturing PMI Output Index at 48.9 (Nov: 50.4). 10-month low.

Fresh signs of fragility emerge as decline in new orders quickens and production cut

Data were collected 4-16 December

The eurozone's manufacturing sector suffered a setback at the end of the year, latest HCOB PMI® data showed, with production levels decreasing for the first time since last February. Demand for euro area goods also saw fresh signs of weakness as new orders fell at the quickest pace in almost a year. Worsened sales performances came despite continued discounting, even as the rate of input cost inflation ticked up to a 16-month high. Nevertheless, surveyed business were their most optimistic towards the year-ahead outlook since immediately prior to Russia's full-scale invasion of Ukraine in February 2022.

The **HCOB Eurozone Manufacturing PMI®**, a measure of the overall health of the eurozone manufacturing sector compiled by S&P Global, declined in December to 48.8, from 49.6 in November, taking it further below the 50.0 no-change mark and therefore indicating a sharper deterioration in factory operating conditions. Furthermore, the final month of the year brought with it the lowest reading of the headline index since March 2025, although the contraction signalled was only mild overall.

Manufacturing performances worsened in a number of key euro area economies during December. Most notable was Germany, which posted its steepest deterioration in sector conditions since February last year and recorded the weakest performance of the eight monitored eurozone nations. Fresh sub-50.0 PMI readings in Italy and Spain also signalled renewed drags from the southern parts of the single-currency union, although Greek factory conditions improved at a slightly faster pace than in November. France also bucked the downward trend in national Manufacturing PMI readings, with its index jumping to a 42-month high to signal the strongest expansion since June 2022.

After nine successive months of growth, factory production volumes across the eurozone decreased in December. The decline was only mild overall, however. Pulling output lower was an accelerated fall in new order intakes. The latest deterioration in sales performances – the second in as many months – was also the sharpest since the beginning of 2025. Exports* drove total new business volumes lower, sub-index data showed, with demand from international clients decreasing at the fastest rate in 11 months.

Eurozone manufacturers retrenched during the final month of the year. Purchasing activity was cut to the strongest extent since March last year, while stocks of raw materials and intermediate goods fell solidly. Post-production inventories likewise declined, albeit at the softest pace since September 2024.

Notably, there was growing evidence of supply-chain pressure for eurozone manufacturers. Average lead times on items purchased from vendors lengthened to the greatest extent since October 2022. At the same time, input cost inflation intensified. Not only did purchasing prices rise for a second month in a row, but the rate of increase was the fastest in close to a year-and-a-half. Stronger cost pressures did not dissuade eurozone factories from discounting their goods prices. Charges fell for the seventh time over the last eight months during December.

As for employment, factory job losses were extended into the final month of 2025, stretching the current sequence of decrease

to just over two-and-a-half years. Backlogs of work were nevertheless reduced, indicating adequate capacity to process new and existing business requirements.

Lastly, manufacturers' sentiment towards the year-ahead outlook for production improved in December. In fact, growth expectations were their strongest since February 2022, immediately prior to Russia launching its full-scale invasion of Ukraine.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: December

| | | |
|-------------|--------------------|---------------|
| Greece | 52.9 | 2-month high |
| Ireland | 52.2 | 2-month low |
| Netherlands | 51.1 | 7-month low |
| France | 50.7 (flash: 50.6) | 42-month high |
| Spain | 49.6 | 8-month low |
| Austria | 49.3 | 2-month low |
| Italy | 47.9 | 9-month low |
| Germany | 47.0 (flash: 47.7) | 10-month low |

Comment

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

“Demand for manufactured products from the eurozone is slowing down again. Significantly fewer orders, declining order backlogs, and continued inventory reduction are the most obvious indicators of this. It is not surprising that companies are continuing to cut staff in this environment. Companies seem neither able nor willing to build momentum for the coming year, but are instead exercising caution, which is poison for the economy.

“The manufacturing sector has been in recession almost continuously since mid-2022. 2025 was shaping up to be the year when the economy in this sector could turn around. In fact, the downturn did ease considerably, but it did not manage to shift to a sustainable growth trajectory. For 2026, however, there is hope that Germany's economic stimulus program and rising defence spending across Europe will breathe new life into the industry. Many companies obviously see it this way too, as confidence that production will be higher in a year's time than it is today has risen again from an already high level.

“Input prices have risen for the second month in a row. This cannot be due to energy prices, as oil and natural gas prices fell in December. However, industrial metals such as copper and tin saw a sharp rise after already increasing in price at double-digit rates over the course of the year. Nevertheless, it is surprising that, despite the weak economic situation, companies are apparently unable to enforce lower prices for goods with prices that are less dependent on the global market. One explanation could be supply-chain problems, as indicated by longer delivery times. In short, things are not running smoothly.

“There were some surprising regional developments in December. Spain's manufacturing sector, which had been expanding almost continuously since 2024, has now slipped slightly into decline. France's manufacturers, on the other hand, which have practically been in decline for three years, are showing signs of life again in December. The sharp slump in German and Italian industry is another disappointment. The relatively good performances in Greece and Ireland cannot compensate for this. Overall, it will not be easy for the manufacturing sector of the eurozone to gain a foothold in 2026. However, expansionary fiscal policy could help.”

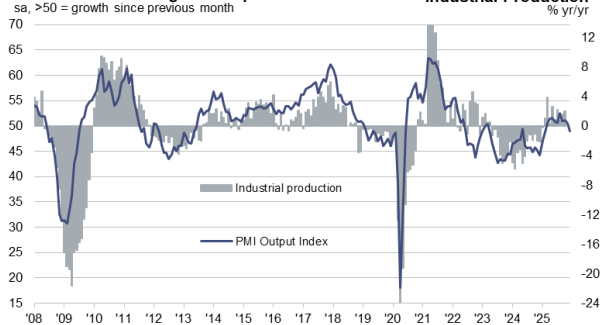
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HCOB Eurozone Manufacturing PMI



Sources: HCOB, S&P Global PMI.

HCOB Manufacturing PMI Output Index



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 87% 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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