

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
Embargoed until 1000 CEST (0800 UTC) 24 July 2023

# HCOB Flash Eurozone PMI®

## Flash PMI signals steeper downturn and cooling price pressures at start of third quarter

### Key findings:

HCOB Flash Eurozone Composite PMI Output Index<sup>(1)</sup> at 48.9 (June: 49.9). 8-month low.

HCOB Flash Eurozone Services PMI Business Activity Index<sup>(2)</sup> at 51.1 (June: 52.0). 6-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 42.9 (June: 44.2). 38-month low.

HCOB Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 42.7 (June: 43.4). 38-month low.

Data were collected 11-20 July

Eurozone business output fell at the fastest rate for eight months in July, according to the latest HCOB flash PMI survey data produced by S&P Global, marking a weak start to the third quarter. Deteriorating forward-looking indicators such as future output expectations and new order inflows also point to the likelihood of the downturn deepening in coming months, prompting companies to pull back on hiring. Price pressures meanwhile moderated further, with average selling prices rising at the slowest rate for almost two-and-a-half years. Prices charged by manufacturers fell at a rate not seen since the height of the global financial crisis in 2009 amid slumping demand, while service sector selling price inflation cooled to a 21-month low.

### Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses, dropped from 49.9 in June to 48.9 in July, its lowest since last November. The latest reading signals a second successive monthly fall in output in volume terms after five months of continual expansion, the rate of contraction gathering pace from the marginal decline recorded at the end of the second quarter.

Demand conditions meanwhile worsened across the board. New business inflows fell at an increasingly severe rate in July, dropping to the greatest extent since last November. The decline in new orders notably exceeded that of output to a degree not seen since February 2009, hinting that companies will seek to reduce output further in the coming months in response to the worsening demand environment. A steepening loss of new orders in the goods-producing sector, which saw one of the steepest declines since 2009, was accompanied by the first downturn in new orders for services for seven months.

### Operating capacity, optimism and employment

The dearth of new orders meant **backlogs of work** fell at an increased rate as companies often relied on previously placed orders to support current operating levels. If the initial COVID-19 lockdown months are excluded, the latest drop in backlogs of work was the largest recorded since February 2013, and in the case of manufacturing the steepest since 2009. Service sector backlogs fell in July for the first time in six months.

The deteriorating order book situation dented business confidence, pushing companies' **expectations of output** levels in the coming year to their lowest since last November. The latest decline pushed sentiment further from February's recent peak and increasingly below the survey's long-run average to thereby signal subdued optimism by historical standards. Confidence deteriorated in both manufacturing and services, albeit with the latter exhibiting greater resilience.

With confidence waning and the demand environment worsening, companies pulled back on hiring in July, leading to the smallest monthly increase in **employment** since February 2021. The overall increase was only modest, reflecting a second

successive month of manufacturing net job losses and the smallest gain in service sector jobs for five months, the rate of increase in the latter having slowed sharply from the historically elevated rates recorded during the second quarter.

Manufacturers also adjusted to lower production requirements by further reducing their **inventory levels**. Stocks of finished goods were allowed to fall for a third month in a row and stocks of inputs fell for a sixth straight month, the latter declining at the sharpest rate since December 2012. July also saw the largest reduction in **input buying** by factories since May 2009 barring only the COVID-19 lockdowns of early-2020. This reduced purchasing of inputs by manufacturers took pressure off supply chains, which in turn helped **supplier delivery times** continue to improve at a rate not seen since 2009.

## Prices

Inflationary pressures meanwhile moderated in July, with gathering deflation in manufacturing compounded by slower service sector inflation. Measured across both sectors, the rate of **input cost inflation** fell again in July, down for a tenth straight month to its lowest since November 2020 and dropping further below the survey's long-run average. Average **prices charged** for goods and services meanwhile rose at the slowest rate for 29 months.

In manufacturing, falling demand for inputs, combined with improved supply, led to further discounting in supply chains. Over the 25-year survey history, only the six-month period to May 2009 has seen a steeper rate of decline in average factory input prices than witnessed in July. Lower costs fed through to lower manufacturing selling prices, which dropped for a third successive month and at the sharpest pace since September 2009.

While service sector input costs continued to rise at a rate well above the survey's long-run average, buoyed in particular by upward wage pressures, the rate of increase slowed for a fifth consecutive month, edging down to the lowest since May 2021. Average prices charged for services also rose at a reduced pace, the rate of inflation at its lowest since October 2021.

## National trends

Looking at growth across the euro area, **France** reported an especially steep downturn in output, which fell for a second successive month and at the sharpest rate since November 2020. If the pandemic is excluded, the decline was the steepest since May 2013. Rates of contraction accelerated in both manufacturing and services, albeit with the former suffering the steeper rate of decline. However, **Germany** also fell into contraction, as output dropped for the first time since January and at the sharpest rate since last November. An especially steep fall in German factory output, which deteriorated at a rate not seen since 2009 if pandemic lockdown months are excluded, was accompanied by a sharp slowing in services activity growth, which was in turn driven by a steep loss of new orders for services. The **rest of the region** as a whole meanwhile eked out only very modest growth for a second successive month, representing the weakest performance so far this year, reflecting an increasingly severe downturn in manufacturing and weaker demand growth for services.

## Comment

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

*"Manufacturing continues to be the Achilles heel of the eurozone. Producers have cut their output again at an accelerated pace in July, while the services sector's activity is still expanding, though at a much slower rate than earlier in the year."*

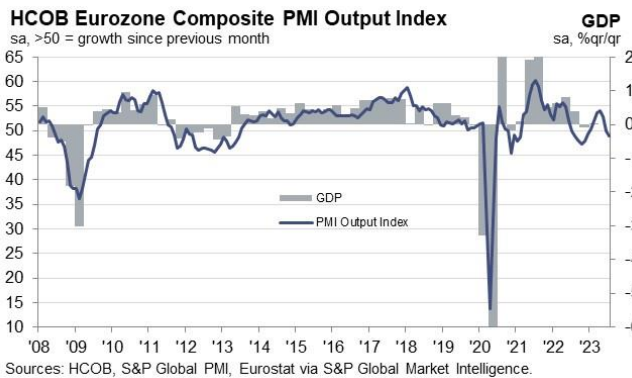
*"The eurozone economy will likely move further into contraction territory in the months ahead, as the services sector keeps losing steam. Further adding to the gloomy outlook is the fact that both the new business and outstanding business PMI indices for services have fallen into shrinking territory for the first time since the turn of the year."*

*"These trends are particularly pronounced in the manufacturing sector, suggesting that the slump here is likely to continue as the second half of 2023 progresses."*

*"The HCOB PMI fell short of the Bloomberg consensus whose analysts were forecasting a slight slowdown in the decline for manufacturing and a more resilient picture for services."*

*"The latest PMI reading is not going to please ECB officials as prices in the private sector are still creeping up, led solely by the substantial services sector. Thus, ECB president Christine Lagarde will certainly stick to her guns and hike interest rates by 25 bp at the next monetary meeting at the end of July."*

-Ends-



## Contact

**Hamburg Commercial Bank AG**  
Dr. Cyrus de la Rubia  
Chief Economist  
T: +49-(0)160-9018-0792  
[cyrus.delarubia@hcob-bank.com](mailto:cyrus.delarubia@hcob-bank.com)

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

**S&P Global Market Intelligence**  
Chris Williamson  
Chief Business Economist  
T: +44-779-5555-061  
[chris.williamson@spglobal.com](mailto:chris.williamson@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
T: +44-796-744-7030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

## Note to Editors

Final July data are published on 1 August for manufacturing and 3 August 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 <sup>1</sup>	0.0	0.3
Manufacturing PMI <sup>3</sup>	0.0	0.2
Services Business Activity Index <sup>2</sup>	0.0	0.3

The Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) 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<sup>®</sup> 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@ihsmarkit.com](mailto:economics@ihsmarkit.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.

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)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2023 S&P Global Ltd. All rights reserved. [www.spglobal.com](http://www.spglobal.com)

### About PMI

Purchasing Managers’ Index<sup>®</sup> (PMI<sup>®</sup>) 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>

If you prefer not to receive news releases from S&P Global, please email [katherine.smith@spglobal.com](mailto:katherine.smith@spglobal.com). To read our privacy policy, [click here](#).

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global’s prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index<sup>®</sup> and PMI<sup>®</sup> are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings (“Content”) in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers (“Content Providers”) do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.