NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Manufacturing PMI®

Manufacturing sector suffers setback in February as declines in output and new orders quicken

Key findings:

HCOB Germany Manufacturing PMI at 42.5 (January: 45.5). 4-month low.

HCOB Germany Manufacturing PMI Output Index at 42.3 (January: 45.7). 4-month low.

Fastest rate of factory job losses since August 2020; Supplier delivery times continue to improve

Data were collected 12-22 February 2024.

February saw the rates of decline in manufacturing output and new orders quicken in Germany, marking a fresh setback for the country's industrial sector midway through the opening quarter of the year, the latest HCOB PMI® survey conducted by S&P Global showed. Factory job cuts also deepened as firms reported falling backlogs of work and lower expectations for activity in the coming year.

Weak demand across supply chains led to sustained downward pressure on input costs and quicker lead times on purchases. That was despite some reports of higher transport costs and delays due to the Red Sea shipping disruption.

The **HCOB Germany Manufacturing PMI®** – which is a gauge of overall business conditions based on measures of new orders, output, employment, supplier delivery times and stocks of purchases – fell for the first time in seven months in February. After having reached an 11-month high of 45.5 in January, the headline PMI slipped to 42.5 on the back of faster falls in output, new orders and employment, as well as a more marked improvement in supplier delivery times (which imparts a negative directional influence due to an implied assumption of weaker demand).

February survey data showed a notable reacceleration in the rate of decline in manufacturing output, after it had slowed to the weakest for eight months in January. Goods production fell to the greatest extent since October last year, driven by a deeper downturn in demand. Indeed, as was the case for output, new orders fell at a much faster rate in February. Panellists commented on lower sales both domestically and abroad, although the rate of decline in new export orders was little-changed from the month before.

Weak demand conditions led to a sustained decline in backlogs of work across the manufacturing sector. The rate of depletion was the sharpest for three months and quicker than the average recorded over the current 21-month sequence of decline.

Manufacturers' expectations towards future output meanwhile turned negative for the first time since last November as sentiment deteriorated for a second successive month. Falling backlogs, economic uncertainty and a lack of investment were among the factors weighing on confidence, anecdotal evidence showed.

With firms reporting a lack of pressure on business capacity and pessimism towards the outlook, there was a further round of factory job losses in February. Furthermore, employment fell to the greatest extent since August 2020.

Manufacturers' retrenchment also extended to purchasing and stocks, with February seeing sustained declines in both pre- and post-production inventories amid a further sharp drop in buying levels.

Falling demand for inputs maintained downward pressure on purchase prices, which registered in deflation territory for the thirteenth month in a row in February. The rate of decline remained sharp, although it eased to the weakest for just under a year amid reports of the Red Sea shipping disruption driving up transport costs. Whilst there were instances of delays to seaborne freight from Asia, overall delivery times shortened due to weak demand for inputs, and to greater extent than in January.

Unlike input costs, average output prices fell at a faster rate – the quickest seen for four months. Anecdotal evidence highlighted strong competition for new work among manufacturers.

Comment

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

“All hope has been dashed – for the moment. After a steady increase of the PMI over the last half a year, the index plunged to its lowest point since last October. The drop was the result of a broad-based deterioration of indicators like the accelerated fall in new orders, the faster downturn in output and the more aggressive trimming of jobs. The widespread nature of the downturn offers little hope for a turnaround in the near future.

“The worsening situation in the German manufacturing sector is kind of unique in the Eurozone this month. Looking around, French and Italian companies are much less depressed and in Spain the sector is even growing again. This result will most probably heat up the discussion about deindustrialisation, political errors and the need for reforms in Germany. However, better to have trading partners whose industry is showing some robustness instead of being dragged down by them further into the abyss. We would even go so far as to say that the other economies are leading the way which would mean that Germany might be close to bottoming out.

“It's like Germany’s manufacturers are operating in a bubble, unaffected by the detours that commercials vessels are taking to avoid attacks from the Houthi Rebels in the Red Sea. While the shortening of delivery times softened a bit in January, firms reported in February much faster deliveries again. This is good news by itself – who would not be happy to get their ordered goods quick and fast. However, it is a clear sign that manufacturers are facing lower demand. To conclude the matter, some firms are certainly reporting problems with Houthi-induced delays, but the overall impact seems to be negligible.

“The worst news emanates from the investment goods sector. This area, which is at the core of the German manufacturing sector, was the main driver of the steep reaccelerated fall of manufacturing output in February. The decision of investment goods companies to cut jobs at the fastest pace since October 2020 underscores the pessimism among managers regarding the prospects of a near-term recovery."

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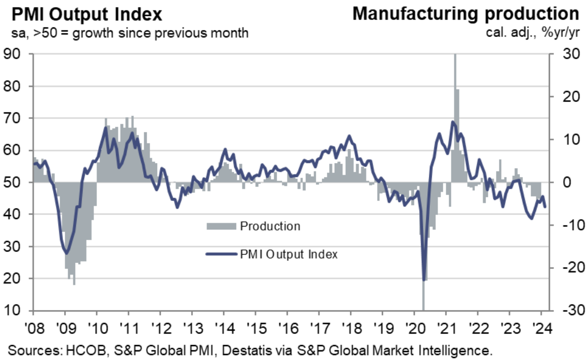

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Note to Editors

The HCOB Germany Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 420 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1996.

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 survey variable. 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.

The headline figure is the 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.

Flash data were calculated from 94% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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