NEWS RELEASE
MARKET SENSITIVE INFORMATION
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# HCOB Eurozone Manufacturing PMI®

## Euro area factory conditions worsen further in November

**Key findings:**

HCOB Eurozone Manufacturing PMI at 45.2 (Oct: 46.0). 2-month low.

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

Germany, France and Italy record strongest downturns in November

Data were collected 12-22 November

The euro area's manufacturing sector deteriorated at a faster pace during November, with the latest HCOB PMI® survey data revealing stronger declines in new factory orders, production, purchasing activity and inventories. The level of employment also saw its steepest decline since August 2020, with Germany and Austria registering particularly pronounced job shedding. Amid sustained and considerable weakness in demand, output prices were discounted more aggressively. There was a marginal improvement in business confidence, however.

The **HCOB Eurozone Manufacturing PMI**, a measure of the overall health of eurozone factories compiled by S&P Global, fell further below the 50.0 no-change threshold in November to 45.2, from 46.0 in October, thereby signalling a sharper deterioration in manufacturing conditions across the single-currency union. The pace of contraction was slightly stronger than seen on average over the current period of decline (which began in July 2022).

By country, the latest survey data showed that the eurozone's manufacturing downturn was centred on its three largest economies – Germany, France and Italy. Regarding the latter two, rates of contraction were their steepest in ten and 12 months, respectively. The Netherlands, Austria and Ireland were the other monitored nations to register sub-50.0 Manufacturing PMI readings in November, although Irish factory conditions were close to stabilising. Meanwhile, Spain and Greece recorded further, albeit slower, improvements.

Factory production volumes across the euro area were reduced midway through the fourth quarter. The pace of decline quickened slightly since October and was marked overall. Data broken down by the three main industrial categories showed that the investment goods segment remained the worst performer in terms of output during November.

Weighing on output was a sharp and accelerated fall in new orders. This extended the current sequence of shrinking new business to just over two-and-a-half years. This reflected a worsening of sales performances in export* markets during November.

Subsequently, further inroads were made to eurozone manufacturers' backlogs of work during the latest survey period. The rate of depletion was sharp and a fraction faster than that seen in October. Furthermore, this marked the thirtieth month running that incomplete order levels have fallen, pointing to persistent spare capacity across the sector. Job losses accelerated across the euro area's manufacturing industry during November. Notably, the decrease in employment was the steepest since August 2020.

Firms also responded to the worsening demand environment by making stronger cutbacks to purchasing activity and pre-production inventories. The reductions in buying volumes and stocks of inputs were both the most marked in 11 months. The amount of finished goods held in warehouses across the eurozone also fell at a faster rate.

November survey data pointed to a third successive monthly fall in operating costs faced by eurozone factories. The decline was the slowest seen over this period, however, and only marginal. Nevertheless, this did provide firms with the capacity to offer discounts on their goods. Prices charged were reduced to the greatest extent since April.

Regarding the outlook, the HCOB survey data showed that eurozone manufacturers remained optimistic of growth in the coming 12 months, with the level of positive sentiment even ticking up to a three-month high. That said, business confidence remained subdued by historical standards.

**Includes intra-eurozone trade*

**Countries ranked by Manufacturing PMI: November**

| | | |
|---|---|---|
| Spain | 53.1 | 2-month low |
| Greece | 50.9 | 2-month low |
| Ireland | 49.9 | 2-month low |
| Netherlands | 46.6 | 11-month low |
| Austria | 44.5 | 6-month high |
| Italy | 44.5 | 12-month low |
| France | 43.1 (flash: 43.2) | 10-month low |
| Germany | 43.0 (flash: 43.2) | Unchanged |

**Comment**

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

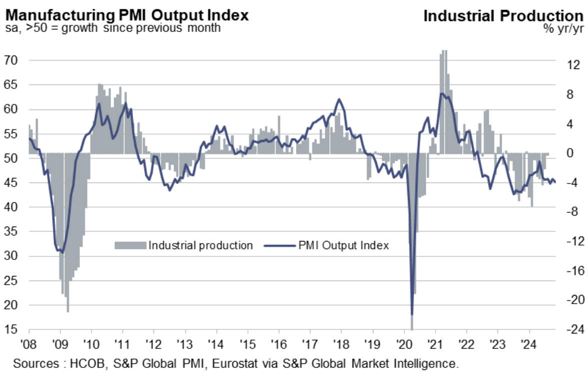
*"These numbers look terrible. It's like the eurozone's manufacturing recession is never going to end. As new orders fell fast and at an accelerated pace, there's no sign of a recovery anytime soon. According to our nowcast, the manufacturing sector's output is going to decrease by 0.7% in the fourth quarter compared to the previous quarter. This slump is likely going to drag into next year.*

*"The downturn is widespread, hitting all of the top three eurozone countries. Germany and France are faring the worst, and Italy is not doing much better. By main industrial grouping, it's the capital goods sector which is taking the biggest hit. In an interesting development, Spain's companies in the capital goods sector were able to show accelerated growth. This might be linked to the heavy floods in Spain, where an estimated 100,000 cars were destroyed and need to be replaced. But this boom most probably won't last.*

*"Companies continue to trim their staff. While the official unemployment rate has trended down for a few years and stabilized at 6.3%, the PMI and the cost-cutting plans of many companies suggest we are headed for higher unemployment rates.*

*"The inventory cycle is not looking good. Stocks of both materials and finished goods continue to decline, extending the near two-year destocking process. When the cycle finally turns, we can expect demand to spike, but that doesn't seem to be happening anytime soon."*

-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 89% 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.

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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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