

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

Eurozone new order growth hits two-and-a-half year high in October

Key findings:

HCOB Flash Eurozone Composite PMI Output Index⁽¹⁾ at 52.2 (September: 51.2). 17-month high.

HCOB Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 52.6 (September: 51.3). 14-month high.

HCOB Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 51.1 (September: 50.9). 2-month high.

HCOB Flash Eurozone Manufacturing PMI⁽³⁾ at 50.0 (September: 49.8). 2-month high.

Data were collected 9-22 October

The strongest increase in new orders for two-and-a-half years supported a faster expansion in Eurozone business activity in October, according to provisional PMI[®] survey data. Meanwhile, employment returned to growth as levels of backlogged work stabilised. The rate of input cost inflation eased and was weaker than the series average, but prices charged were raised at the sharpest pace in seven months. Companies remained optimistic that output will rise over the coming year, but sentiment waned at the start of the final quarter of the year.

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, rose to 52.2 in October from 51.2 in September, posting above the 50.0 no-change mark for the tenth consecutive month and signalling a solid monthly increase in business activity. The rate of expansion was the joint-fastest in just under two-and-a-half years, equal with that seen in May 2024.

Growth was recorded across both monitored sectors, and led by services where the latest increase in business activity was the strongest since August 2024. Manufacturing production rose for the eighth month running. The latest expansion was slight, but marginally quicker than that seen in September.

A solid increase in output was registered in Germany, where the pace of growth hit a 29-month high. Similarly, the euro area excluding Germany and France posted the fastest rise in activity for two-and-a-half years. Bucking the wider trend, France posted a fourteenth consecutive monthly reduction in output, and one that was the sharpest since February.

Companies often raised their business activity in response to a steeper increase in **new orders** during October as the pace of growth in new business reached the highest since April 2023. Here too, the overall expansion was led by the services sector, but manufacturing new orders broadly stabilised following a fall in September. While overall new orders increased at a faster pace at the start of the final quarter, **new business from abroad** continued to decrease. New export orders (which include intra-Eurozone trade) declined only slightly, however, and at one of the slowest rates since the current sequence of contraction began in March 2022.

Employment

Encouraging trends in output and new orders contributed to a renewed increase in **staffing levels** during October, following a marginal fall in September. Employment has now risen in seven of the past eight months, with the increase in October the joint-fastest in 16 months, equal with that seen in August. Jobs growth was centred on the services sector, where the pace of job creation was the sharpest since June 2024. Meanwhile, manufacturing employment decreased at the fastest pace in four months.

Backlogs of work stabilised in October, thereby ending a period of depletion stretching back to April 2023. Service providers posted the first accumulation of outstanding business for a year-and-a-half, while manufacturing backlogs decreased slightly. Notably, Germany posted a first rise in work-in-hand since July 2022.

Prices

The rate of **input cost** inflation eased for the second month running in October, dipping to a three-month low and coming in below the series average. Services input prices increased at a softer pace, while manufacturers posted a renewed rise in their cost burdens, albeit one that was only marginal.

While input costs increased at a slower pace at the start of the fourth quarter, the opposite was true with regards to **output prices**, which rose at the fastest pace in seven months. Manufacturers increased their selling prices for the first time in six months, joining the services sector in recording inflation. Service providers raised charges at a solid pace that was sharper than seen in September. Solid increases in output prices were registered in Germany and the euro area excluding the largest two economies, but French companies raised their charges only slightly amid deteriorating customer demand.

Inventories and supply chains

Although Eurozone manufacturers continued to scale back their **purchasing activity** in October, the pace of decline eased from that seen in September. This was also the case with regards to **stocks of inputs**, but **holdings of finished goods** decreased at a faster pace than in the previous month. Meanwhile, **suppliers' delivery times** lengthened solidly. Moreover, the rate of deterioration in vendor performance intensified for the fourth consecutive month and was the most pronounced for three years. Delivery delays were still much less marked than seen in the period following the COVID-19 pandemic, however.

Outlook

Despite stronger expansions in output and new orders in October, **business confidence** waned to a five-month low and was weaker than the series average. Weaker optimism in the 12-month outlook for output was signalled across both the manufacturing and services categories. Sentiment was relatively muted in Germany and France, but firms in the rest of the eurozone remained strongly confident that output will rise over the coming year.

Comment

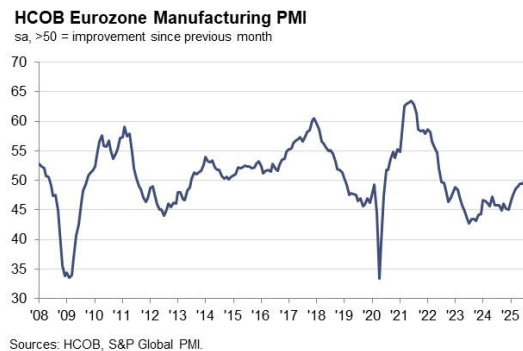
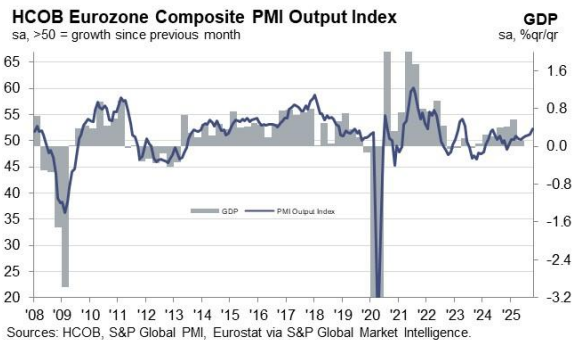
Commenting on the flash PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

“France is increasingly becoming a drag on the eurozone economy. While the economic situation in Germany brightened significantly in October, the rate of contraction has accelerated for two months in a row in France. As a result, economic growth in the eurozone, even though accelerating a bit, has been much weaker than it otherwise could have been. Uncertainty about whether the current government under Sebastien Lecornu can remain in power for much longer in view of the disputes over the 2026 budget is causing unease and contributing significantly to the weak economic situation in France. As an important buyer of products and services from other eurozone countries, France’s weakness contributes to the fragility of the recovery in the rest of the eurozone.

Industry in the eurozone has been stagnating for practically six months. The marginal improvement in the headline PMI to 50 offers little hope of a turnaround. This is all the more true given that new orders have been similarly weak. In this environment, manufacturing companies have accelerated their workforce reductions in an effort to adapt to weaker demand conditions and become more efficient at the same time. Although companies have been able to pass through slightly higher prices to their customers, input prices have also risen somewhat, meaning that profit margins are unlikely to have increased significantly.

Inflation in the eurozone services sector remains moderate. The rate of inflation for sales prices has risen slightly, but remains close to the long-term average. Cost increases were slightly lower in October, so there is little danger from this side in the short term. The European Central Bank, which pays particular attention to inflation in the service sector, is likely to see this data as confirmation of its stance not to implement further interest rate cuts.”

-Ends-



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Note to Editors

Final October data are published on 3 November for manufacturing and 5 November 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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S&P Global (NYSE: SPGI)

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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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