

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Flash Eurozone PMI<sup>®</sup>

## Eurozone business activity ticks lower amid falling demand

### Key findings:

HCOB Flash Eurozone Composite PMI Output Index<sup>(1)</sup> at 49.7 (September: 49.6). 2-month high.

HCOB Flash Eurozone Services PMI Business Activity Index<sup>(2)</sup> at 51.2 (September: 51.4). 8-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 45.5 (September: 44.9). 2-month high.

HCOB Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 45.9 (September: 45.0). 5-month high.

Data were collected 10-22 October

Provisional PMI<sup>®</sup> survey data for October showed that business activity in the euro area ticked lower for the second month running, with the marginal decline broadly in line with that seen in September. Output was scaled back in response to a weakening demand environment, with new orders down for the fifth consecutive month. Companies responded to lower workloads by reducing employment to the largest degree in almost four years, while business confidence dropped to an 11-month low. Meanwhile, input costs increased at the slowest pace since November 2020, with output charge inflation similarly easing to a 44-month low.

The marginal reduction in overall business activity masked a continued divergence between the manufacturing and services sectors. Manufacturing production fell markedly again, although the pace of contraction softened slightly from that seen in September. Meanwhile, the service sector managed to continue expanding activity despite demand weakness. That said, the modest expansion in services was the least pronounced since February.

The two largest eurozone economies – Germany and France – were again the main sources of weakness, seeing further marked reductions in business activity at the start of the final quarter of the year. Meanwhile, the rest of the eurozone actually saw output increase at the fastest pace in four months.

### 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, posted 49.7 in October, broadly in line with the reading of 49.6 in September. The latest figures suggested that business activity in the euro area decreased marginally for the second successive month.

**Manufacturing** production remained in a sustained downturn, falling for the nineteenth month running in October and at a marked pace. The rate of contraction softened slightly from that seen in September, however. On the other hand, the eurozone's **service** sector remained in positive territory, registering a slight increase in business activity during the month. That said, the pace of expansion eased to an eight-month low as new orders decreased for the second consecutive month.

Overall, **new orders** were down for the fifth successive month and at a broadly similar pace to that seen in September. New business decreased across both manufacturing and services. While the contraction was sharper in manufacturing, the drop in services new orders was the steepest for nine months.

International demand also waned again in October. **New export orders** (which includes intra-eurozone trade) decreased at the joint-fastest pace so far this year, equal with that recorded in September.

## Employment

With customer demand waning, firms in the euro area increasingly looked to scale back their **workforce numbers** in October. Employment decreased for the third month running, and at the fastest pace since the end of 2020. While the reduction in staffing levels was centred on manufacturers, the service sector saw a near-stagnation of employment. The picture was particularly bleak in Germany, where jobs were cut to the largest degree since the opening wave of the COVID-19 pandemic in 2020. Employment decreased slightly in France, while the rest of the eurozone saw staffing levels rise modestly.

Despite the drop in workforce numbers, weak client demand meant that companies continued to deplete **backlogs of work** at the start of the final quarter of the year. Moreover, the latest solid reduction in outstanding business was the most marked since January.

## Outlook

The worsening demand environment continued to subdue **business confidence**, which dropped for the fifth consecutive month to the lowest for almost a year. Optimism was also below the series average. Sentiment waned in both the manufacturing and services sectors, but remained stronger in the latter.

## Prices

Although **input costs** increased again in October, the pace of inflation eased further and was the lowest in just under four years. As was the case with business activity, there were marked differences in price changes between the two monitored sectors. Manufacturing input costs decreased for the second month running, and at the fastest pace since March. Meanwhile, services input prices continued to increase sharply, albeit at a rate that was softer than the series average.

Similarly, **output prices** rose at a modest pace that was the slowest since February 2021, as a rise in services charges just outweighed a fall in manufacturing selling prices. Companies in Germany kept their output prices broadly stable, with the fractional pace of inflation the slowest since January 2021. Charges in France rose slightly following no change in the previous month, while the rest of the eurozone posted a modest increase in selling prices.

## Inventories and supply chains

The retrenchment seen in the manufacturing sector during the month was not limited to output and employment, as firms scaled back their **purchasing activity** and **stocks of both purchases and finished goods** in October. Meanwhile, suppliers' delivery times lengthened for the second month running. Although modest, the deterioration in supplier performance was the most marked since January.

## Comment

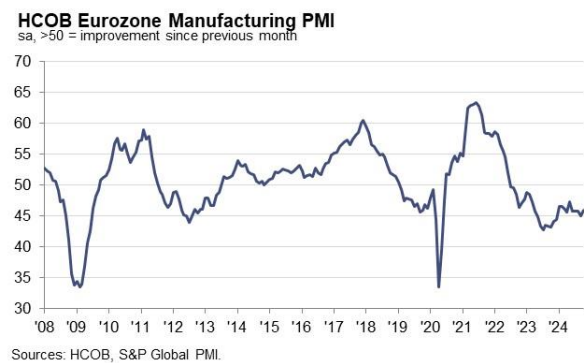
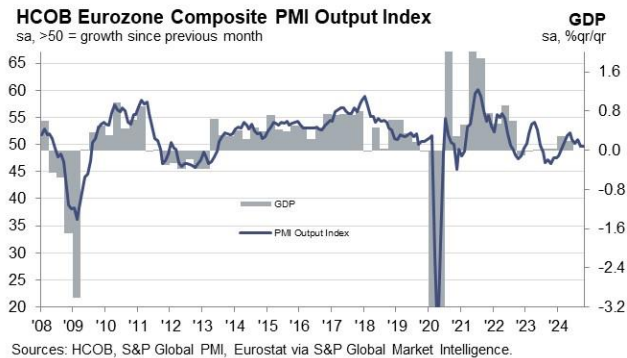
Commenting on the flash PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

*"The eurozone is stuck in a bit of a rut, with the economy contracting marginally for the second month running. The ongoing slump in manufacturing is being mostly balanced out by small gains in the service sector. At the country level, it can be noted that the deterioration of the situation in France was met by a slight moderation in the decline in Germany. For now, it is not clear whether we will see a further deterioration or an improvement in the near future."*

*"The eurozone's service sector continues to grow, but only slightly, helping to keep the broader economy near stability. However, we shouldn't expect too much in the near future. Companies in this sector are seeing fewer new orders, and the backlog of work has been shrinking for six months straight. For the first time since early-2021, service sector hiring has almost come to a halt. The real question is whether the combination of higher wages and lower inflation can revive consumer spending, which would give service providers a much-needed boost."*

*"For the European Central Bank (ECB), the latest figures come with an unwelcome surprise. Inflation in the services sector seems likely to stay elevated, as costs and selling prices in October rose faster than the previous month. This is probably due to persistent wage pressure, which impacts service providers especially hard. All this backs the idea that the ECB is likely to cut key interest rates by just 25 basis points in December, rather than the 50 basis points some have been talking about."*

-Ends-



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## Note to Editors

Final October data are published on 4 November for manufacturing and 6 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 <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™ (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@spglobal.com](mailto: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.

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.

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### About PMI

Purchasing Managers’ Index™ (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>

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