

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
Embargoed until 1000 CEST (0800 UTC) 1 August 2023

# HCOB Eurozone Manufacturing PMI<sup>®</sup>

## Prices charged for eurozone goods fall at quickest pace since 2009 amid falling costs and plummeting demand

### Key findings:

HCOB Eurozone Manufacturing PMI at 42.7 (Jun: 43.4). 38-month low

HCOB Eurozone Manufacturing PMI Output Index at 42.7 (Jun: 44.2). 38-month low

Prices of goods leaving eurozone factory gates reduced to greatest extent since September 2009

Data were collected 11-24 July

The eurozone manufacturing sector saw its downturn worsen at the start of the third quarter, according to the latest HCOB PMI<sup>®</sup> survey data. Production volumes, new orders, employment and purchasing activity all declined at faster rates than in June. Excluding pandemic-related and lockdown-hit months, the reductions seen for factory output and demand for eurozone goods were the most severe since the global financial crisis in 2008-09. This was also true of other survey indicators such as new export orders, backlogs of work, and quantity of purchases.

Weakness in the economy was also displayed via the HCOB Suppliers' Delivery Times Index, which remained substantially above the 50.0 mark to indicate a further rapid improvement in supply-chain conditions. This fed through to costs, with average input prices falling at the most rapid pace since May 2009. This subsequently led prices charged for euro area goods to decline, and by the greatest extent in almost 14 years.

The **HCOB Eurozone Manufacturing PMI**, compiled by S&P Global, posted beneath the critical 50.0 threshold which separates growth from contraction for a thirteenth successive month in July. At 42.7, this was down from 43.4 in June and marked a sixth consecutive decrease in the headline index. Overall, the latest data pointed to the sharpest deterioration in manufacturing sector conditions since May 2020. That said, excluding survey periods impacted by lockdown measures, the HCOB Eurozone Manufacturing PMI recorded its lowest reading since the global financial crisis.

Considerable manufacturing industry weakness was seen in Germany and Austria, according to the country breakdown, with headline PMI readings there at their lowest since May and April 2020, respectively. France and Italy, the second- and third-largest eurozone economies, also recorded marked deteriorations since June. The Greek manufacturing sector continued to buck the broader trend, however, registering a solid expansion that was the quickest in over a year.

July survey data highlighted a considerable decrease in eurozone manufacturing output. According to data split by the three main industrial groupings, while weakness was broad-based, a significant proportion of the production cutbacks came from the intermediate goods sector. Demand conditions were also extremely weak during the latest survey period, although it was producers of capital goods that recorded the quickest deterioration in order books, closely followed by intermediate goods makers.

Eurozone manufacturers recorded a steep reduction in new orders from foreign markets<sup>1</sup> at the start of the third quarter. In fact, excluding pandemic-hit months, demand for euro area goods from external clients fell at the quickest pace April 2009.

In response to diminishing demand pressures, purchasing activity was cut by eurozone factories in July. The scaling back of production, as well as sustained efforts to reduce inventories, were also cited as factors behind the reduction. Overall, the decrease in input purchasing was steep and the fastest since May 2020. Subsequently, firms' holdings of raw materials and semi-finished items fell in July, with the rate of reduction its fastest in just over ten-and-a-half years. Stocks of finished goods fell

marginally and for a third month in a row.

Amid rapidly deteriorating demand conditions, eurozone manufacturers turned to their backlogs of work to help sustain production volumes wherever possible. In turn, the volume of orders pending completion fell substantially during July and, excluding the initial months of the COVID-19 pandemic in the first half of 2020, at the strongest pace since April 2009. Factory employment levels were reduced for a second successive month in July, albeit marginally.

In another show of weak economic conditions, the latest survey data signalled clear signs of spare capacity at suppliers to eurozone manufacturers. Average input delivery times shortened considerably during July, marking a sixth consecutive monthly improvement in vendor performance.

Increased competition among suppliers reportedly drove their fees lower in July, helping to push eurozone manufacturers' input prices down even further. The decrease in cost burdens was steep and the quickest since May 2009. Lower prices paid for materials, in tandem with weak demand pressures, pushed eurozone manufacturers to discount their charges for a third month running in July. In fact, the extent to which selling prices fell was the strongest for almost 14 years.

<sup>1</sup> Includes intra-eurozone trade

#### Countries ranked by Manufacturing PMI: July

Greece	53.5	14-month high
Spain	47.8	7-month low
Ireland	47.0	38-month low
Netherlands	45.3	4-month high
France	45.1 (flash: 44.5)	38-month low
Italy	44.5	2-month high
Germany	38.8 (flash: 38.8)	38-month low
Austria	38.8	39-month low

#### Comment

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

*"It looks like the manufacturing recession is here to stay in the eurozone. Stronger declines in output, new orders and purchase volumes at the start of the third quarter back up our view that the economy as a whole is in for a bumpy ride in the second half of the year."*

*"The manufacturing sector's rough patch is the result of a classic inventory cycle, where companies have purchased too many goods. As companies adapt to the new reality of reduced demand and faster deliveries, there will be some over-the-top reactions in terms of destocking. As a result, renewed stock-building can be expected in 2024, taking the sector out of the slump. Until then, there are some lean times ahead."*

*"The further and sharper deterioration in backlogs of work has seen manufacturers reduce employment further, though still at a modest pace. Manufacturers suffer from a global drop in this sector, especially in top eurozone export destinations like the US and China. As such, new export orders, which include also intra eurozone trade, have gone downhill fast."*

*"The European Central Bank will be pleased to see that deflation of output prices has picked up speed again, falling at the most rapid pace in almost 14 years. However, the worries about services inflation remain high on the agenda."*

-Ends-

**HCOB Eurozone Manufacturing PMI**

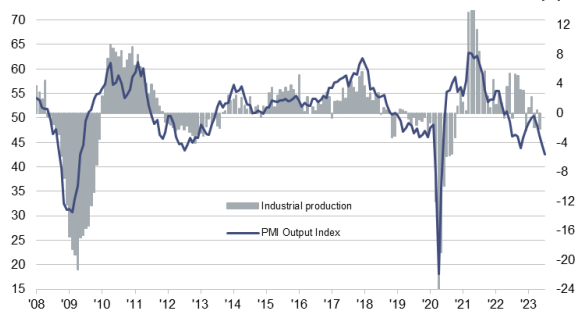
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

**Manufacturing PMI Output Index**

sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

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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@ihsmarkit.com](mailto:economics@ihsmarkit.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<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>

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