

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

Prices charged for eurozone goods fall at strongest rate in three years as demand and production sink further in June

Key findings:

HCOB Eurozone Manufacturing PMI at 43.4 (May: 44.8). 37-month low

HCOB Eurozone Manufacturing PMI Output Index at 44.2 (May: 46.4). 8-month low

Output prices fall at strongest rate in three years

Data were collected 12-23 June

The downturn in the eurozone's manufacturing sector intensified during June, latest HCOB PMI[®] survey data showed, with factory output declining at the sharpest rate since October last year when concerns regarding the price and supply of energy soared. Demand for eurozone goods fell sharply at the end of the second quarter, with weak sales performances particularly evident in Austria, Germany and Italy. Notably, manufacturing employment declined for the first time since January 2021 and business confidence dipped to a seven-month low.

Eurozone factories advanced with destocking efforts in June amid continued weakness in the manufacturing economy. Falling input demand and vastly improved supply conditions contributed to another sharp decrease in average input costs, while the price of goods leaving the factory gate fell again and at the quickest pace in three years.

The **HCOB Eurozone Manufacturing PMI**, compiled by S&P Global, fell to 43.4 in June, down from 44.8 in May and a twelfth successive month in sub-50.0 contraction territory. Overall, the headline figure signalled the sharpest deterioration in the health of the euro area goods-producing sector since May 2020.

At a country level, June survey data showed manufacturing performances were at their worst since the initial phase of the COVID-19 pandemic in the first half of 2020 for many of the monitored nations. Austria, Germany, Italy, Ireland and the Netherlands registered their sharpest declines in business conditions for over three years. Greece once again bucked the broad trend of deterioration and recorded a fifth consecutive improvement in manufacturing sector performance.

June survey data signalled a third successive monthly reduction in manufacturing output levels across the euro area. The decrease was strong, accelerating since May to the strongest since October last year. According to market groups data, contractions in consumer, investment and intermediate goods output all accelerated on the month, with the latter recording the quickest decrease.

Production volumes were curtailed by marked weakness in demand conditions. Total new order intakes fell rapidly and at the strongest pace for eight months during June. Demand from foreign¹ clients also contracted, marking a sixteenth successive monthly decline in new export business.

Notably, the reduction in new orders outpaced that of output by a considerable magnitude as production continued to be partially supported by firms' efforts to tackle backlogs of work. June survey data indicated another steep reduction in the volume of orders pending completion, with the rate of depletion accelerating to the quickest in just over three years. Amid falling workloads, factory staffing levels were reduced across the euro area during June for the first time since January 2021.

Stronger declines in key barometers of business conditions such as new orders and output clearly affected firms' confidence in the outlook during June. Expectations, while still positive on balance, were at their most subdued in seven months.

Subsequently, eurozone factories ramped up their destocking activity at the end of the second quarter. Input purchasing fell at a substantial pace that was among the fastest in 26 years of data collection. The volume of pre-production items stocked in warehouses declined for a fifth month in a row, while firms registered the quickest drop in inventories of finished goods since April 2022.

Supply conditions remained favourable for buyers during June, as signalled by another strong improvement in delivery times. The latest survey data pointed to a further steep reduction in average input prices paid by eurozone manufacturers. In fact, June's decrease in factory costs was the fastest since July 2009. Market groups data revealed an especially steep drop in operating expenses at intermediate goods producers. With cost burdens easing and falling demand causing competitive pressures to rise, prices charged for goods across the euro area declined for a second successive month. The decrease was the strongest in three years.

¹ Includes intra-eurozone trade

Countries ranked by Manufacturing PMI: June

Greece	51.8	2-month high
Spain	48.0	6-month low
Ireland	47.3	37-month low
France	46.0 (flash: 45.5)	3-month high
Netherlands	43.8	37-month low
Italy	43.8	38-month low
Germany	40.6 (flash: 41.0)	37-month low
Austria	39.0	38-month low

Comment

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

"Eurozone manufacturing production contracted for the third month in a row in June, according to the PMI output index, with the rate of decline accelerating and pointing to a worsening of factory conditions. New orders also fell at a faster rate, which further increases the likelihood that industrial production, which contracted by 0.9 % month-on-month in the first quarter according to Eurostat, will drop again in the second quarter."

"There is growing evidence that the capital-intensive industrial sector is reacting negatively to the ECB's interest rate hikes. Companies surveyed reduced their headcounts for the first time since January 2021, and purchasing activity declined at one of the worst rates on record. Cuts to sales prices for the second month in a row come as no surprise given the weakness in demand and rapid rate of cost deflation."

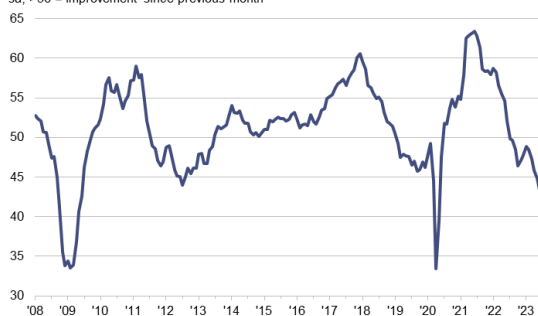
"The downturn is visible across the board geographically as all four of the biggest eurozone countries remained in contraction in June. In terms of new orders, the weakness in demand is most pronounced in Germany, followed by Italy and France."

"Delivery times are continuing to normalize, with the corresponding index signalling that since February, companies in the currency union are receiving their goods more quickly than in the previous month. While it seems as if companies do not complain so much anymore about delivery times, shortages of materials are still a lingering issue. According to DG ECFIN, for example, around 28% of companies in the eurozone complained of a shortage of materials in the second quarter - by 2019, this figure had averaged just under 7%."

-Ends-

HCOB Eurozone Manufacturing PMI

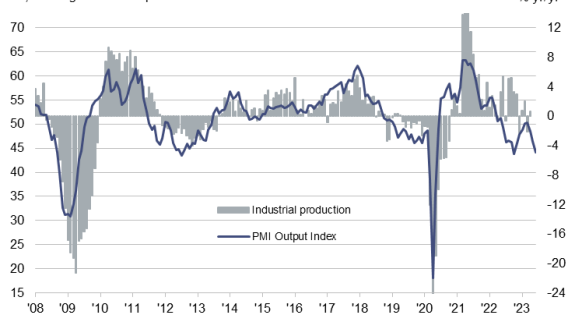
sa, >50 = improvement since previous month



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.

Contact

Hamburg Commercial Bank AG

Dr. Cyrus de la Rubia
Chief Economist
T +49-(0)160-9018-0792
cyrus.delarubia@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Chris Williamson
Chief Business Economist
Telephone +44-207-260-2329
chris.williamson@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

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.

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

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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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