

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Eurozone Manufacturing PMI[®]

Prices for eurozone goods fall further in August as factory orders continue to plummet at one of the fastest rates on record

Key findings:

HCOB Eurozone Manufacturing PMI at 43.5 (Jul: 42.7). 3-month high

HCOB Eurozone Manufacturing PMI Output Index at 43.4 (Jul: 42.7). 2-month high

HCOB Eurozone New Orders Index falls to 39.0, prompting firms to continue slashing their charges

Data were collected 10-23 August

The eurozone manufacturing sector remained under intense pressure midway through the third quarter, according to the latest HCOB PMI[®] survey data, as plummeting new orders and rapidly depleting backlogs of work put a considerable squeeze on production lines across the single currency union. Factory employment levels continued to fall, albeit marginally, while purchasing activity was slashed once again as companies maintained their efforts to run down stocks.

A sixth successive monthly reduction in manufacturers' input costs was recorded, with the rate of decline remaining steep overall. The price of goods leaving the factory gate were subsequently discounted as companies chose to pass on cost reductions to their clients to boost the competitiveness of their products.

The **HCOB Eurozone Manufacturing PMI**, compiled by S&P Global, registered beneath the 50.0 no-change level for the fourteenth month in a row in August, signalling yet another month-on-month deterioration in operating conditions. At 43.5, the headline index was up from July's 38-month low of 42.7, but still indicative of another sharp worsening in the health of the euro area manufacturing economy.

Manufacturing sector performance was varied across the eurozone constituents monitored by the survey. Greece and Ireland were the only two countries to record an improvement since July, while the likes of Germany, France, Italy and Spain, the four largest economies, all remained in contraction territory. Germany and Austria were the two worst-performing nations by a considerable margin, although rates of decline did ease slightly.

According to August data, the volume of new orders received by manufacturers across the eurozone continued to plummet at a rate which has rarely been exceeded across the survey's 26-year history. This too was the case for new export¹ business, with firms struggling to attract new work from clients beyond their own borders. Total and foreign order book volumes have been weakening on a monthly basis for well over a year, with respective seasonally adjusted indices registering markedly beneath the key 50.0 mark which separates growth from contraction, highlighting the significant weakness in demand conditions facing eurozone factories.

Eurozone manufacturers also recorded a considerable decline in their backlogs of work during August, extending the current sequence of depletion to 15 months and signalling a sustained rise in spare capacity. Reduced workload volumes subsequently led manufacturing production to fall during the latest survey period, as has been the case since the middle of last year except for slight rises in February and March. Although August's decrease in output was softer than in July, it was sharp overall and the second-quickest since May 2020.

With the prevailing demand environment remaining weak, manufacturers across the euro area reduced their holdings of raw materials and other necessary items for production for a seventh straight month. The decrease was once again strong but eased slightly since July (which was the greatest for over a decade). Companies' suppressed appetite for restocking was also

highlighted by quantities of purchases, which fell substantially.

Meanwhile, factory employment levels across the euro area fell for a third consecutive month in August. While the rate of job cutting was only marginal, the sustained decline in staff numbers represented a marked turnaround from the general trend seen between early-2021 and the first half of this year.

In another sign of manufacturing sector weakness, August survey data signalled a further marked shortening in suppliers' delivery times as excess capacity at vendors rose. Declining demand for raw materials provided firms with a greater ability to renegotiate prices, leading to discounts. Indeed, input costs fell sharply during the latest survey period. Some companies chose to pass through lower expenses to their selling charges in a bid to boost competitiveness, leading output prices to fall for a fourth successive month.

Lastly, there was an improvement in optimism during August, despite the rapid and broad deterioration in sector conditions seen on the month. Overall, growth expectations strengthened to a three-month high, but remained well below the long-run average. Country-level data showed that positive sentiment was strongest in Ireland and Italy, followed by Greece, offsetting pessimistic outlooks at firms in Germany, France and Austria.

¹ Includes intra-eurozone trade

Countries ranked by Manufacturing PMI: August

Greece	52.9	2-month low
Ireland	50.8	6-month high
Spain	46.5	8-month low
France	46.0 (flash: 46.4)	2-month high
Netherlands	45.9	5-month high
Italy	45.4	3-month high
Austria	40.6	4-month high
Germany	39.1 (flash: 39.1)	2-month high

Comment

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

"These numbers aren't as terrible as they might look at first glance. Obviously, the overall PMI manufacturing index, sitting at 43.5, suggests pretty noticeable weakness in this sector. However, all of the twelve subindices have moved upwards or remained practically unchanged, showing that the downward trend from the past few months is starting to lose steam across the board."

"Businesses are still holding back from making big staff cuts, even with a substantial drop in output over five months. This does not bode well for productivity or output per head, but provides some stability for the economy as a whole as people do not lose their income."

"Looking at the PMI price indices, companies were able to keep part of the reductions of input costs for themselves since spring of this year, thereby increasing their profit margins. However, the experience of 2020 and 2021 shows, that on the way up this development tends to reverse and margins suffer."

"The driver of the downturn has been the destocking cycle. There are tentative signs, however, that this process is nearing its end as companies took their foot off the gas when it came to reducing the stock of purchases in August."

"Germany remains a negative outlier among the big euro countries. This will fuel the discussion about Germany being the sick man of Europe, even though the nation continues to be among the most diversified economies."

-Ends-

HCOB Eurozone Manufacturing PMI

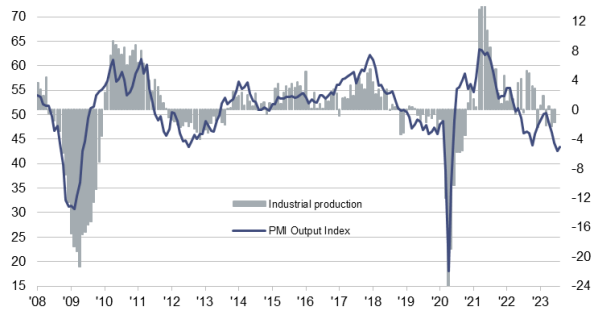
sa, >50 = improvement since previous month



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 87% 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

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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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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