NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Eurozone PMI®

Eurozone economic recovery fades further in July

Key findings:

HCOB Flash Eurozone Composite PMI Output Index(1) at 50.1 (June: 50.9). 5-month low.

HCOB Flash Eurozone Services PMI Business Activity Index(2) at 51.9 (June: 52.8). 4-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index(4) at 45.3 (June: 46.1). 7-month low.

HCOB Flash Eurozone Manufacturing PMI(3) at 45.6 (June: 45.8). 7-month low.

Data were collected 11-22 July

Provisional PMI® survey data signalled a near-stagnation of the eurozone private sector during July as the currency bloc's economic recovery continued to wane. New orders fell for the second month running and business confidence dropped to a six-month low, leading firms to halt a spell of hiring which began at the start of 2024. Meanwhile, the rate of input cost inflation quickened, but demand weakness meant that companies raised their selling prices at a softer pace. In fact, the pace of charge inflation was the slowest since last October.

The eurozone manufacturing sector was again a key source of weakness. Production was down markedly in July, and to the largest extent in the year-to-date. As such, a rise in services activity stopped the overall private sector from falling into contraction. That said, the expansion in the service sector was only modest and the weakest since March.

The two largest euro area economies continued to underperform the wider region. Output in Germany decreased for the first time in four months, while France posted a third consecutive monthly reduction in business activity. This performance contrasted with continued growth across the rest of the euro area, albeit the latest increase in output was the least marked since January.

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, fell to 50.1 in July from 50.9 in June, posting only fractionally above the no-change mark and thus pointing to a near-stagnation of private sector activity. Output has now risen in each of the past five months, but the latest expansion was the softest in this sequence and thus represents a weak start to the third quarter of the year.

Any growth that was recorded was generally linked to **services business activity**, which increased for the sixth month running in July. The modest expansion was the slowest in four months, however. Meanwhile, **manufacturing output** continued to decline at the start of the third quarter, extending the current sequence of contraction to 16 months. Moreover, the pace of reduction was marked, having accelerated to the fastest in 2024 so far.

The near-stagnation of business activity reflected further signs of weakness in demand. **New orders** decreased for the second month running in July. The pace of reduction quickened slightly from that seen in June, but remained only modest nonetheless. As was the case with output, growth in services new business contrasted with a fall in manufacturing new business, but here the modest expansion in services was insufficient to offset the steepest fall in manufacturing new orders since December.

New export orders (which include intra-eurozone trade) fell more quickly than total new business as firms in the eurozone continued to struggle to secure sales from international clients. New export orders decreased for the twenty-ninth successive month, and at a solid pace that was fractionally quicker than that registered in the previous survey period.

Outlook

Although companies remained optimistic that business activity will rise over the coming year, **sentiment** dipped to a six-month low and came in just below the series average. Confidence waned in both the manufacturing and service sectors, with sentiment remaining higher in the latter.

Employment

A combination of falling new orders, reduced confidence and a near-stagnation of business activity discouraged firms in the eurozone from hiring additional staff in July. **Employment** was unchanged, ending a six-month sequence of job creation. Service providers continued to increase staffing levels, albeit at the slowest pace since January. Meanwhile, manufacturing workforce numbers decreased to the largest extent in 2024 so far. The sharpest reduction in employment for almost four years in Germany cancelled out increases in staffing levels in France and across the rest of the eurozone. Meanwhile, **backlogs of work** across the euro area continued to decrease at a solid pace.

Inventories and supply chains

Alongside a fall in manufacturing employment in July, eurozone manufacturers also scaled back their **purchasing activity** and reduced inventories of both **purchases** and **finished goods** at the start of the third quarter of the year. In all cases, rates of decline remained solid. Meanwhile, **suppliers' delivery times** shortened for the sixth successive month, although the pace of improvement in vendor performance was only slight and the weakest in the current sequence of shortening lead times.

Prices

Input prices increased sharply again in July, with the pace of inflation ticking up to a three-month high. The latest rise was also sharper than the series average. Cost pressures continued to be more pronounced in the service sector than in manufacturing, with services input prices up substantially in the latest survey period. That said, manufacturing cost inflation also picked up and was the fastest for a year-and-a-half.

While the pace of cost inflation quickened in July, **output prices** increased at a softer pace as falling demand limited company pricing power. Charges rose at a modest pace that was the slowest since last October. Selling prices increased in the service sector, but continued to fall modestly in manufacturing. Rates of charge inflation were broadly similar across Germany, France and the rest of the eurozone.

Comment

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

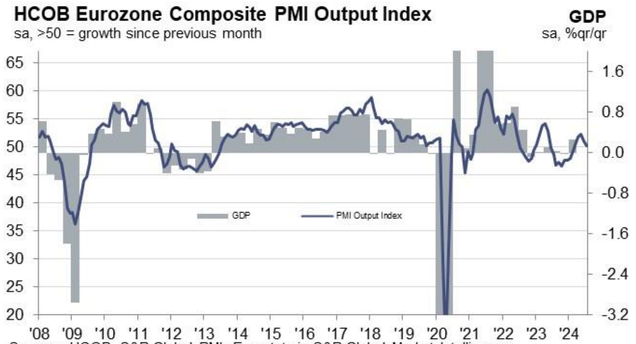
"Is this the summer lull? It feels a bit like it as the Eurozone economy barely moved in July, according to the HCOB Flash Eurozone PMI. But beside the fact that we are talking about seasonally adjusted figures, looking at the two monitored sectors the situation deteriorated significantly in the manufacturing sector and counteracted moderate growth in the services sector. According to our GDP Nowcast, growth in the third quarter is still on the cards, however.

"It's unsettling how steadily companies in the manufacturing sector are slashing jobs month by month. The pace has barely changed over the last ten months. As employment has broadly fallen at a slower rate than output, this hints at two things: companies are a bit cautious about trimming staff as there may still be some hope for better times. And secondly, labour productivity is diminishing which bodes ill for growth perspectives. As a result, an eventual recovery will likely be followed by a rather large lag in employment growth.

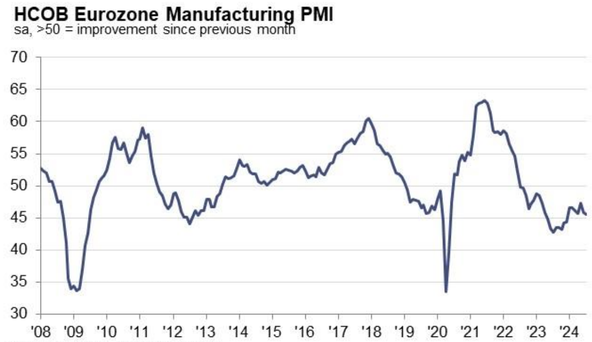
"While Germany is seemingly struggling to grow, the French economy is being fueled by the Olympic Games. According to anecdotal evidence, French service providers increased their business activity in July due to the preparation for the Olympic Games. In contrast, demand in the German manufacturing sector seems to have dragged down overall private sector output.

"If only growth was considered, you find a strong argument for a rate cut in September by the ECB. However, prices data did not provide hoped for relief. Input prices in the services sector increased at a faster rate and selling prices rose at a similar pace to the previous survey period. To make things worse, input prices in manufacturing, which fell for more than a year between March 2023 and May 2024, have now increased for two months straight. Output prices fell only fractionally, which may make it more difficult for overall inflation to make the necessary progress towards the 2 percent target. Our conclusion is that while a September rate cut will most probably be exercised, it will be much trickier to follow this path in the months thereafter, unless the downturn morphs into a deep recession."

-Ends-



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



Sources: HCOB, S&P Global PMI.

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Note to Editors

Final July data are published on 1 August for manufacturing and 5 August 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]	0.0	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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We are widely sought after by many of the world’s leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world’s leading organizations plan for tomorrow, today.

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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