NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Composite PMI®

Eurozone economy slips back into contraction in November

Key findings:

HCOB Eurozone Composite PMI Output Index at 48.3 (Oct: 50.0). 10-month low.

HCOB Eurozone Services PMI Business Activity Index at 49.5 (Oct: 51.6). 10-month low.

After stabilising in October, private sector activity falls at fastest pace since January

Data were collected 12-26 November 2024

The euro area economy fell back into contraction during the penultimate month of 2024, latest HCOB PMI® survey data showed. After stabilising in October, business activity levels decreased at the fastest pace since January amid a renewed decline in services output. Weak demand conditions remained apparent across the eurozone, with new private sector orders shrinking for a sixth month in a row and at the sharpest pace in the year-to-date. There was a particularly notable reduction in sales to non-domestic clients. Employment also fell further, while business confidence dropped to a 12-month low. Meanwhile, rates of input cost and output price inflation ticked up to three-month highs.

After recovering slightly to register 50.0 in October, the seasonally adjusted **HCOB Eurozone Composite PMI Output Index** – a weighted average of the HCOB Manufacturing PMI Output Index and the HCOB Services PMI Business Activity Index – fell back into contraction territory during November. At 48.3, the headline index signalled a renewed downturn in private sector business activity across the eurozone. Moreover, albeit only modest, the decrease in output was the fastest for ten months.

Central to November's drop in activity levels was the service sector, which posted its first decline in output since the beginning of the year. Factory production volumes fell for a twentieth successive month, the longest sequence of contraction in the survey history.

The eurozone's big-three economies of Germany, France and Italy all registered contractions in business activity midway through the final quarter of 2024. The other euro area nations which have Composite PMI available – Ireland and Spain – posted expansions, with the former registering the strongest growth in output for two-and-a-half years.

Economic activity levels were stifled by a sustained reduction in demand for goods and services, latest data showed. For a sixth month running, intakes of new work shrank across the eurozone in November. Additionally, the pace of decline was the steepest in the year-to-date. Both manufacturers and service providers reported lower volumes of new business, although factory sales fell by a considerably stronger margin. Export* performance was a heavy drag on the euro area economy, with new orders from non-domestic customers falling at a faster pace than that of total sales.

With demand trending lower, the onus on backlogs as a means to sustain activity levels increased. Subsequently, outstanding order volumes decreased in November. This marked the twentieth month in succession that work-in-hand has fallen. The rate of backlog depletion was broadly level with those seen in both October and September, and therefore among the fastest in 2024 so far.

Regarding jobs, the latest HCOB survey data revealed further cutbacks by firms in the eurozone. The reduction in staffing levels was only marginal, but nevertheless the second-fastest since December 2020 (behind October). The decline in employment was driven entirely by manufacturers, as the pace of job creation ticked higher in the service sector.

When looking towards the next 12 months, eurozone companies registered positive expectations on balance. However, the degree of optimism waned to its lowest in a year and was much weaker than its long-term average.

Lastly, November saw inflationary pressures creep up across the euro area. For a second successive month, rates of increase in both input costs and output prices accelerated and were at their most marked since August. That said, price increases were seen only in the service sector, while goods producers registered cost reductions and discounts to their own prices.

includes intra-eurozone trade.

Countries ranked by Composite PMI Output Index: November

Ireland	55.2	30-month high
Spain	53.2	10-month low
Italy	47.7	13-month low
Germany	47.2 (flash: 47.3)	9-month low
France	45.9 (flash: 44.8)	10-month low

HCOB Eurozone Services PMI®

The **HCOB Eurozone Services PMI Business Activity Index** posted below the 50.0 no-change mark for the first time since January in November. Falling to 49.5, from 51.6 in October, the index signalled the first decrease in service sector output for ten months. However, the contraction was only marginal overall.

Demand for eurozone services weakened for a third straight month in November. Furthermore, the decline was the quickest since January. New business from non-domestic sources provided a sharper drag on total orders, with the respective HCOB index at a 13-month low.

Services employment continued to rise across the eurozone, however, sustaining a run of job creation that stretches back almost four years. This was despite backlogs of work falling for a seventh straight month, suggesting service providers have spare capacity.

Meanwhile, confidence levels weakened in November. Expectations for growth were at their softest since September 2023.

Turning to prices, the latest survey data showed an uplift in pressures as both input cost and output charges increased at faster rates than in the previous month. Compared to their respective pre-pandemic trends, inflation rates were elevated in both cases.

Comment

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

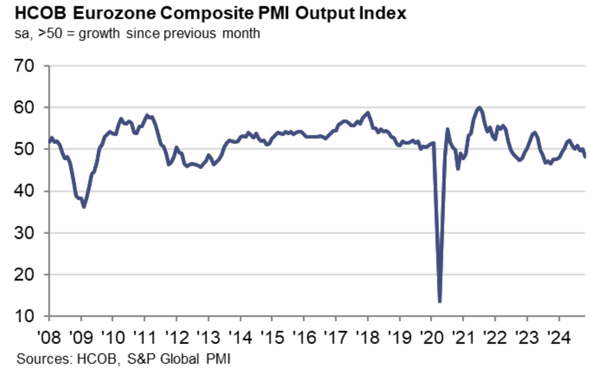
“Stagflation is a pretty nasty word, especially if you are a central banker, but that is what is hitting the eurozone right now. In November, the economy started shrinking while the PMI price components went up for the second month in a row. Inflation is mainly driven by services, but with the euro getting weaker, there is a risk that the prices of imported goods might start climbing too in the coming months.

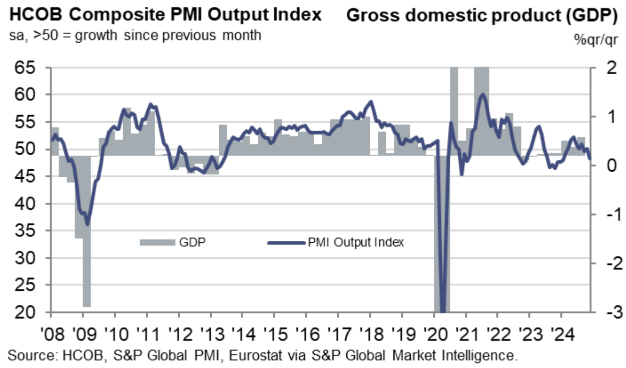
“The European Central Bank (ECB) is in a tough spot. The economy is struggling and really needs some monetary support. However, inflation is stubbornly high, as highlighted by significant wage increases in the third quarter. So, the ECB is likely to avoid aggressive rate cuts and instead might carefully lower rates by 25 basis points on December 12.

“The services sector, which had been holding up the overall economy, is now shrinking for the first time since January. This is bad news for overall growth prospects, especially since this weakness is seen across the top-three euro economies. This broad-based decline might be due to consumer uncertainty, fuelled by political issues in France and Germany and the threat of trade wars linked to Donald Trump's election in the US. Our GDP nowcast, which includes PMI data among other indicators, predicts stagnation in the final quarter of 2024.

“An early recovery in the services sector doesn't seem likely, as new business has dropped for the third consecutive month. Although employment saw a slight uptick in November after nearly stagnating the previous month, this shouldn't be seen as a sign of recovery. Most other indicators suggest more challenging times ahead.”

-Ends-





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Note to Editors
The HCOB Eurozone Composite 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, and of service providers in Germany, France, Italy, Spain and Ireland, totalling around 5,000 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 and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Composite eurozone level indices are calculated by weighting comparable manufacturing and services indices using eurozone manufacturing and services annual value added*.

The headline composite figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

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.

Flash composite data were calculated from 83% of final responses. Since January 2006 the average difference between final and flash Composite PMI Output Index values is 0.0 (0.3 in absolute terms). Flash services data were calculated from 75% of final responses. Since January 2006 the average difference between final and flash Services PMI Business Activity Index values is 0.0 (0.3 in absolute terms).

For further information on the PMI survey methodology, please contact economics@spglobal.com. *Source: Eurostat.

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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