

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 1000 CEST (0800 UTC) 23 June 2023

HCOB Flash Eurozone PMI[®]

Inflation pressures cool as economic upturn fades

Key findings:

HCOB Flash Eurozone Composite PMI Output Index⁽¹⁾ at 50.3 (May: 52.8). 5-month low.

HCOB Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 52.4 (May: 55.1). 5-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 44.6 (May: 46.4). 8-month low.

HCOB Flash Eurozone Manufacturing PMI⁽³⁾ at 43.6 (May: 44.8). 37-month low.

Data were collected 12-21 June

Eurozone business output growth came close to stalling in June, according to the latest HCOB flash PMI survey data produced by S&P Global, pointing to renewed weakness in the economy after the brief growth revival recorded in the spring. Inflows of new orders fell for the first time since January, employment growth slowed and future output expectations also deteriorated. More encouragingly, the slowdown was accompanied by a marked cooling of inflationary pressures. Input costs rose at the slowest rate since December 2020 and average selling prices for goods and services rose at the weakest rate since March 2021.

Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses, fell from 52.8 in May to 50.3 in June, its lowest since January. Although recording an expansion of output for a sixth consecutive month in June, the latest increase was only marginal and far weaker than the gains seen in the previous four months to signal a considerable loss of growth momentum. The 2.5 point drop in the index was the largest recorded for a year.

The slowdown had been signalled in advance by a near-stagnation of new business inflows in May. With the new business trend measured across goods and services worsening further in June, as new orders dropped for the first time since January, the deteriorating demand environment signals downside risks to output in July.

Manufacturing remained the principal area of weakness, with factory output falling for a third straight month and at the fastest rate since last October. The resulting steep production decline was driven by an increasingly sharp downturn in new orders for goods, which fell to the greatest extent since last October.

Growth of service sector output meanwhile slowed sharply as the recent resurgence in spending on services lost momentum. Business activity in the service sector grew at the slowest rate since January, down sharply from April's recent peak, with growth of new business dropping to register only a modest increase in demand, contrasting with the strong gains seen in the three months to May.

Operating capacity and employment

Backlogs of work fell at the steepest rate for seven months, reflecting the sustained (albeit moderating) output growth at a time of falling inflows of new work, and have now fallen for three successive months. Backlogs fell at the sharpest rate for three years in manufacturing and slipped into decline in the service sector for the first time since January.

Falling backlogs tend to signal excess capacity, and are hence typically a precursor to downward pressure on payroll numbers. Hence **employment** growth slowed for a second consecutive month in June, with the rate of job creation down to its lowest since February. Manufacturing headcounts were cut for the first time since January 2021 and jobs growth in the service sector waned for a second month in a row to sit at the lowest since March, albeit remaining strong by historical standards.

Manufacturers notably also adjusted to the prospect of lower production in the coming months by greatly reducing their **purchases of inputs**. Barring the COVID-19 lockdowns of early-2020, June saw the largest reduction in input buying by factories since 2009. Reduced purchasing of inputs by manufacturers took pressure off supply chains, which in turn led to faster **supplier delivery times**, which have improved in recent months to a degree not seen since 2009.

Prices

Falling demand led to increasing discounting in manufacturing, resulting in average **input prices** dropping in the factory sector for a fourth successive month and at the steepest rate since July 2009. While service sector input costs continued to rise at a rate well above the survey's long-run average, buoyed in particular by wage pressures, the rate of increase moderated to the lowest since May 2021. Measured across both sectors, the rate of input cost inflation sank sharply in June, down for a ninth straight month to its lowest since December 2020.

Slower cost growth fed through to lower selling price inflation. Average **prices charged** for goods and services rose at the slowest rate for 27 months in June, having been on a broad easing trend over the past year but showing an especially large drop in momentum in June (one of the largest points falls in the index since 2008 excluding the early-2020 pandemic lockdown months). Prices charged for goods leaving the factory gate fell for a second successive month, showing the largest decline for three years. Average rates levied for services rose sharply again, though the rate of inflation cooled by the greatest extent since 2008 barring the early-2020 lockdown months.

Future expectations

Optimism about the year ahead fell in June to the greatest extent since last September, sliding to its lowest level so far this year. Expectations for the year ahead have deteriorated especially markedly in manufacturing, down to a seven-month low in June, but have also sunk to a six-month low in the service sector. The overall degree of confidence has dropped far below the long-run average in both sectors. Although energy and supply chain worries have eased since late last year, June has seen a further escalation of concerns over demand growth, and in particular the impact of higher interest rates, and the resulting possibilities of recessions both in domestic markets and further afield.

National trends

Looking at growth across the euro area, the weakness was led by **France**, where output fell for the first time since January as strikes reportedly added to the economy's headwinds. The resulting drop in output was the steepest since February 2021 and broad-based across manufacturing and services. However, growth also came close to a stand-still in **Germany**, contrasting with robust expansions in the three months to May, as an increasingly severe manufacturing downturn was accompanied by slower service sector growth. The **rest of the region** as a whole meanwhile reported the slowest output growth for five months, the expansion continuing to lose momentum from the solid gains seen in March and April due to a combination of marked factory output losses and weaker service sector growth.

Comment

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

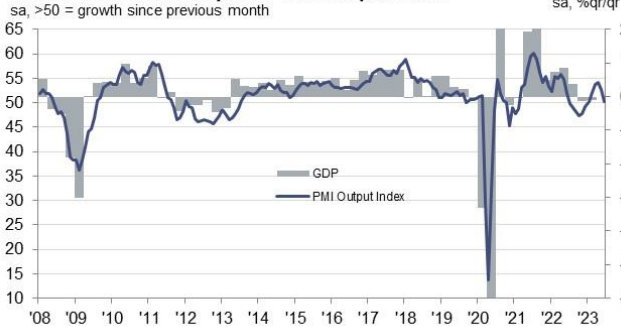
"If the ECB only had to control goods prices, then Frankfurt would toast the end of inflation, because even in June the PMI survey shows that purchasing and selling prices have fallen significantly. Moreover, given the recession in manufacturing indicated by the PMI, one would start with interest rate cuts. But this picture is incomplete. In the more important part of the economy, the private services sector, prices continue to rise, and that's why the core rate of inflation has been so slow to decline."

"In addition to the persistent discrepancy that has already been observed for several months between manufacturing on the one hand and services on the other, there are also clear regional differences. In France, for example, activity in the service sector contracted in June according to the PMI survey, whereas in Germany it continues to expand, albeit at a slower pace. This is also reflected in new orders, which are falling in France but rising in Germany - again at a declining rate. High inflation and more difficult financing costs are cited as reasons for this weakness in France, which may also have suffered economically from intense strike and protest activity in spring."

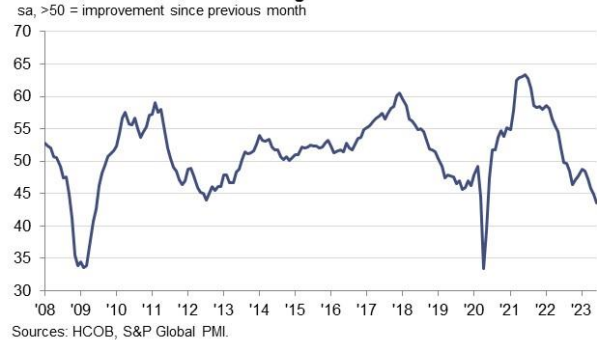
"After Eurozone GDP fell for the second time in a row in the first quarter, the probability has increased somewhat that the GDP change will again carry a negative sign in the current quarter, due in part to weak services activity in France. Even if our baseline scenario of slightly positive Eurozone growth in the second quarter still becomes reality, the downward trend in the Composite PMI points to a difficult second half of the year as companies across all sectors face deteriorating order books."

-Ends-

HCOB Eurozone Composite PMI Output Index



HCOB Eurozone Manufacturing PMI



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
T: +44-779-5555-061
chris.williamson@spglobal.com

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

Note to Editors

Final June data are published on 3 July for manufacturing and 5 July 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@ihsmarkit.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.

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.

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2023 S&P Global Ltd. All rights reserved. www.spglobal.com

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>

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, [click here](#).

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global’s prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers’ Index[®] and PMI[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings (“Content”) in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers (“Content Providers”) do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.