NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Manufacturing PMI®

PMI plunges to 12-month low in September

Key findings:

HCOB Germany Manufacturing PMI at 40.6 (Aug: 42.4). 12-month low.

HCOB Germany Manufacturing PMI Output Index at 41.3 (Aug: 42.8). 11-month low.

Expectations turn negative as confidence deteriorates sharply

Data were collected 12-23 September 2024.

The health of the German manufacturing sector took a further turn for the worse in September, the latest HCOB PMI® survey showed, with output, new orders, employment and stocks all falling at faster rates. Furthermore, concerns about demand, geopolitical tensions and general economic conditions saw firms' expectations towards production in the coming year turn negative for the first time in seven months.

At the same time, there was renewed downward pressure on input prices, which fell at the quickest rate for six months after coming close to stabilising in August. In turn, manufacturers were more aggressive with their own price cuts.

The **HCOB Germany Manufacturing PMI®** is a gauge of overall business conditions derived from measures of new orders, output, employment, supplier delivery times and stocks of purchases. September saw the headline PMI drop for the fourth month running and therefore move further below the 50.0 threshold that separates growth from contraction. At 40.6, down from 42.4 in August, the latest reading signalled the most marked deterioration in manufacturing business conditions for 12 months.

Another notable acceleration in the rate of decline in new orders once again provided the main drag on the headline PMI. Inflows of new work fell to the greatest extent since October last year, reflecting a range of headwinds to demand that included market uncertainty, investment reticence, customer destocking and weakness in the automotive sector. Panellists commented on difficulty securing new work both domestically and abroad, with export sales likewise posting the sharpest drop for 11 months in September.

It was a similar picture for output, which was scaled back at a rate not seen for almost a year. The pace of contraction was also quicker than the average recorded since the current downturn began in May 2023.

New orders continued to fall at a much faster rate than output, leading to a further reduction in backlogs of work at manufacturers. September's decrease was the most marked for 11 months. With capacity utilisation declining, workforce retrenchment gathered pace at the end of the third quarter, leading to the steepest drop in factory employment in over four years.

Latest data also showed deeper cuts to purchasing activity among German goods producers. This partly reflected firms' efforts to run down stocks of inputs, which recorded the steepest drop since late 2009. Post-production inventories meanwhile fell markedly and at the fastest rate since June.

Weaker demand for inputs coincided with reports from a number of panellists of lower prices paid for commodities, particularly steel. As such, September saw a notable drop in average costs, with the rate of decline the quickest seen since March.

Factory gate charges likewise fell more quickly in September as manufacturers passed on the cost-savings from lower purchase prices and faced increasing competition for new work. It was the first time in five months that the rate of decline in output charges had accelerated.

Supplier delivery times meanwhile quickened only modestly on average, registering the smallest improvement since January.

Lastly, September's survey indicated a notable deterioration in business expectations across the German manufacturing sector. Confidence towards future output fell for the third month running to the lowest since last October.

Comment

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

"These figures are adding fuel to the debate around deindustrialisation. With orders drying up at an alarming rate, it is hard to picture any kind of recovery happening soon. What is particularly troubling, looking back over the last 30 years, is how long this slump in export orders has dragged on – it is unprecedented. We attribute this to the "China shock". Many companies, especially in the automotive and mechanical engineering sectors, have not yet found convincing answers to the sudden intensification of competition.

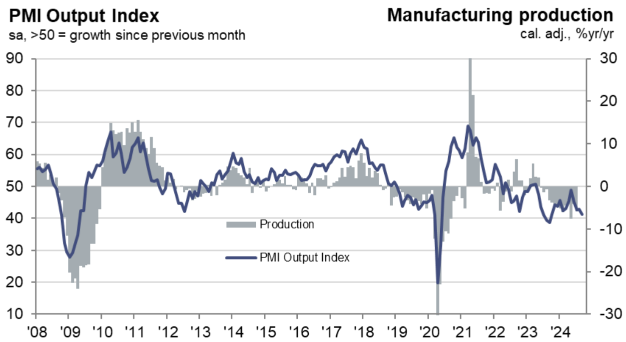
"Data showed the steepest decline in new orders since October 2023, with the downturn being widespread across intermediate, capital and consumer goods sectors. This aligns with the broader observation that global demand for manufactured goods remains under pressure.

"For over a year-and-a-half, companies have been running down their inventories of intermediate inputs. Normally, you would expect them to start restocking at some point, but instead, in September, they slashed inventories even more than we have seen in this current cycle. It highlights how pessimistic manufacturers are feeling.

"On the bright side, the significant drop in oil and natural gas prices – down around 7% in September compared to the previous month – is giving companies some breathing room. Lower energy costs have helped push purchase prices down much faster than sales prices, which in turn is good for profit margins. So, at least on that front, there's some relief."

-Ends-

Sources: HCOB, S&P Global PMI.



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

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Note to Editors
The HCOB Germany Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 420 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1996.

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 survey variable. 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.

The headline figure is the 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.

Flash data were calculated from 86% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

For further information on the PMI survey methodology, please contact economics@spglobal.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.

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About BME

The BME is the German Association for Supply Chain Management, Procurement and Logistics. Founded in 1954 it provides services for around 9750 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME liaises between businesses and academia, both on the demand and the supply side, by providing the necessary networks for communication and knowledge exchange. The association is open to all company types from any sector (industry, trade, banking/insurance, public sector, service providers, etc.).

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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