

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI[®]

Manufacturing suffers fresh setback in June as production falls at fastest rate in 2024 to date

Key findings:

HCOB Eurozone Manufacturing PMI at 45.8 (May: 47.3). 2-month low.

HCOB Eurozone Manufacturing PMI Output Index at 46.1 (May: 49.3). 6-month low.

Sharper decline in new orders and costs increase, but outlook remains upbeat

Data were collected 12-21 June

The eurozone manufacturing economy displayed fresh signs of weakness at the end of the second quarter, latest HCOB PMI[®] data showed, as the contraction in output accelerated markedly to the strongest seen in the year-to-date. New orders, purchasing activity and employment also decreased at faster rates, but the 12-month outlook for output remained positive.

For the first time since February 2023, inputs costs rose, causing eurozone factories to show some restraint in their discounting. Output charges fell only marginally and at the softest pace for over a year.

The **HCOB Eurozone Manufacturing PMI**, a measure of the overall health of eurozone factories and compiled by S&P Global, fell for the fourth time in the past five months during June. Declining from May's 14-month high of 47.3 to 45.8, the survey's headline measure signalled a solid and accelerated deterioration in the health of the eurozone's manufacturing sector. June's renewed slide means the HCOB Eurozone Manufacturing PMI remains well below its survey average (51.6).

Weaker trends were seen across the majority of manufacturing sectors at the national level during June. Greece retained its position at the top of the Manufacturing PMI rankings, despite the index here falling to a six-month low. Slower rates of improvement were likewise recorded for both Spain and the Netherlands. The remaining monitored euro area constituents saw factory conditions worsen at the end of the second quarter. Except for Italy, deteriorations were stronger than in May. Germany's manufacturing sector was once again the eurozone's worst-performing, as has been the case in every month since February.

After nearly stabilising in May, the final month of the second quarter saw factory production across the euro area fall solidly and at the fastest pace in 2024 so far. June's contraction in output came amid a sharper deterioration in demand conditions, as evidenced by the respective index for new orders falling further below the 50.0 no-change mark. Eurozone goods producers also reported weaker sales to clients externally, with the latest survey data signalling a twenty-eighth consecutive monthly drop in new export* orders. The reduction was marked and the steepest since February.

Eurozone manufacturers lowered purchasing quantities in June amid shrinking production requirements. In fact, the decrease in buying levels was more pronounced than in May and quicker than the concurrent declines witnessed in both output and new orders. Stocks of purchases continued to be depleted, as has been the case in each month since early-2023. June's decline was the sharpest in the year-to-date.

Factory output was partially supported by the completion of backlogged work. Outstanding business fell in June, extending the current sequence of depletion to just over two years. The latest survey data implied an uptick in spare capacity at euro area manufacturers, leading employment to subsequently be reduced for a thirteenth straight month. The rate at which factory jobs were cut was the fastest in three months.

As has generally been the case for the best part of a year-and-a-half (and excluding January this year, which was the height of the Red Sea disruptions), eurozone manufacturers reported a shortening of suppliers' delivery times in June. That said, the extent to which vendor performance improved was the weakest since February.

Meanwhile, input costs at euro area factories increased for the first time in 16 months during June. The price of goods leaving the factory gate continued to fall, although the rate at which charges were discounted was only marginal and the softest seen across the current 14-month sequence of deflation.

Lastly, despite the broader deterioration in business conditions at the end of the second quarter, business confidence was unchanged from May 27-month high. This meant that firms were optimistic towards the forthcoming year, with the level of positive sentiment above its long-term average.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: June

Greece	54.0	6-month low
Spain	52.3	2-month low
Netherlands	50.7	3-month low
Ireland	47.4	11-month low
Italy	45.7	2-month high
France	45.4 (flash: 45.3)	2-month low
Austria	43.6	2-month low
Germany	43.5 (flash: 43.4)	2-month low

Comment

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

"Is this another bull trap for the manufacturing sector, similar to the false start at the beginning of 2023 when output briefly improved only to fall back again for a longer period? Indeed, the PMI indices for all Eurozone countries, except Italy, deteriorated in June. However, we are inclined to see this more as a temporary blip rather than a sign of a prolonged downturn. Manufacturing growth was seen in other parts of the world in June, such as the United States, UK, and India, according to their respective Flash PMI. This global recovery provides a supportive backdrop for Eurozone manufacturers. Additionally, optimism about future production remains as high as it was in May, indicating that businesses are still confident about the coming year.

"It's rather depressing that forward-looking new orders are falling at an accelerated pace. This decline comes after a record stretch of 25 consecutive months of falling demand, but a vague hope that things were improving in May when the respective index showed some increase. This means that any significant recovery will likely be postponed until at least the end of the summer or the beginning of fall.

"It may be a good sign that an increasing number of companies were able to pass on some of the increase in input costs to their clients. This suggests that there is some pricing power in the market, which typically re-emerges when conditions are starting to improve.

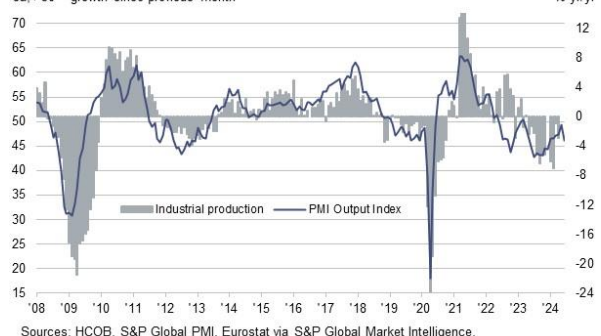
"Germany has failed to shake off its position as the worst performer among the eurozone countries tracked by the PMI survey. Austria is doing nearly as poorly, and manufacturers in France and Italy remain in recessionary territory as well. In contrast, the Netherlands, Spain, and Greece are seeing growth in their manufacturing sectors. We attribute Germany's weak performance to its above-average exposure to the car industry, which is suffering on a global scale."

-Ends-

HCOB Eurozone Manufacturing PMI
sa, >50 = improvement since previous month



Manufacturing PMI Output Index
sa, >50 = growth since previous month



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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 88% 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@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 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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