

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

Eurozone manufacturing sector remains mired in deep downturn as factory orders plummet and job losses accelerate

Key findings:

HCOB Eurozone Manufacturing PMI at 43.4 (Aug: 43.5). 2-month low.

HCOB Eurozone Manufacturing PMI Output Index at 43.1 (Aug: 43.4). 2-month low.

Factory job losses intensify amid sinking new orders and deteriorating business confidence

Data were collected 08-22 September

The eurozone manufacturing economy continued to contract at a sharp rate at the end of the third quarter. Overall, the latest HCOB PMI[®] data flagged considerable weakness across the sector, with new orders continuing to shrink at a pace that has rarely been surpassed since the survey began in 1997. Although input costs fell sharply yet again, businesses' efforts to retrench further were evidenced by sustained reductions in employment, purchasing activity and inventories. Subsequently, production cutbacks were extended in September.

Meanwhile, there was a considerable softening of business confidence, with growth expectations slumping to a ten-month low. In a bid to boost competitiveness and stimulate demand, eurozone manufacturers decreased their prices charged for a fifth successive month and to one of the greatest extents seen in 14 years.

The **HCOB Eurozone Manufacturing PMI**, compiled by S&P Global, fell fractionally to 43.4 in September, from 43.5 in August. Crucially, this marked the fifteenth successive month in which the headline index has recorded in sub-50.0 territory, thereby indicating a sustained deterioration in the health of the euro area manufacturing sector.

With the exception of Greece (where the Manufacturing PMI recorded only just inside expansion territory at 50.3), all of the other countries monitored by the survey registered downturns during September. Germany and Austria continued to observe the fastest rates of decline, followed by the Netherlands and France. In the case of the latter two, September's contractions were the steepest seen in almost three-and-a-half years. While Italy and Spain also saw worsening manufacturing sector health, the rates of deterioration slowed.

The volume of new orders placed with eurozone goods producers fell rapidly once again during September. In fact, the rate of decline remained among the steepest seen in the survey's 26-year history. Considerable weakness was also seen on the export¹ front. The response by manufacturers was to reduce production levels for the fourteenth time in 16 months. The decrease was sharp and slightly faster than in August.

In the absence of demand pressures, eurozone manufacturers made further progress on their backlogs of work. In fact, the rate of depletion was the joint-fastest since May 2020 (matching that seen in July). That said, further job cuts were made in September, with euro area factory employment falling at the quickest pace in almost three years.

Additional cuts to purchasing were also made during September, extending the current sequence of falling buying activity to 15 months. While the reduction was steep, especially by historical standards, it was the weakest since June. Given the aggressive nature of the pullback in spending, eurozone manufacturers' stocks of inputs fell at a strong and accelerated pace during September. Post-production inventories likewise fell, with the decline its quickest for two years.

Meanwhile, the latest survey data indicated a further decrease in eurozone factory operating expenses. The reduction was

steep overall, despite easing to the slowest since April. Lower input prices continued to provide firms with more flexibility over their pricing strategies. Still, eurozone manufacturers remained focused on boosting competitiveness, with prices charged falling for a fifth month running and to one of the greatest extents since 2009.

Finally, September survey data pointed to a marked softening of growth expectations, as evidenced by business confidence slumping to a ten-month low.

¹ Includes intra-eurozone trade

Countries ranked by Manufacturing PMI: September

Greece	50.3	8-month low
Ireland	49.6	2-month low
Spain	47.7	2-month high
Italy	46.8	5-month high
France	44.2 (flash: 43.6)	40-month low
Netherlands	43.6	40-month low
Austria	39.6	2-month low
Germany	39.6 (flash: 39.8)	3-month high

Comment

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

“The Output PMI was well under 50 for the entire third quarter, so we are feeling pretty certain that the recession in manufacturing continued during this period. We probably won’t see things picking up until we ring in the new year, but there are reasons to believe that the bottom of the hard-to-pin-down stocking cycle has been reached. According to the PMI survey, stocks of purchased goods have been diminishing since early this year, but the respective index has been hovering around 45 for the last five months. This marked the bottom during the slowdowns which occurred shortly before COVID-19 hit and 2012, before moving upwards again. Being a bit cautious with this, as we’re still seeing rapidly falling input purchasing, but the stocking cycle could soon recover, ready for a manufacturing bounce-back early next year.

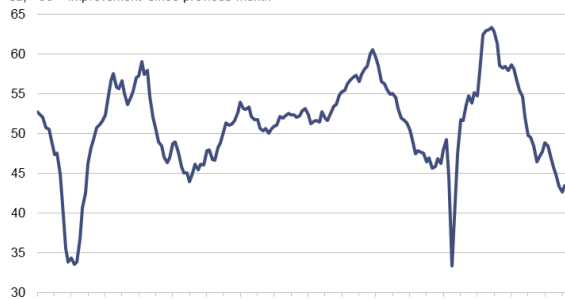
“With the exception of the great recession in 2008/2009, output prices have never decreased at a pace faster than the current three-month average, and it’s similar with input prices, which fell almost as fast as when oil prices hit rock bottom in the late-90s and during the bursting of the dot-com bubble in 2001. Given how rare falls of this magnitude are, a rebound seems likely. Thus, we might just see goods deflation packing its bags earlier than we thought.

“In the race to the bottom, France and Germany are leading the way in the September PMIs. Meanwhile, Spain and Italy are pulling through somewhat less scathed. However, if you take the duration of the slowdown into account, considering official monthly production figures, Italy is the worst performer, with its manufacturing sector mired in a recession since the second half of 2022. Italy is followed by Germany, where a recession has started in the second quarter of this year. For France and Spain, we cannot confirm a technical recession yet. Given our forecast that the global manufacturing sector is bottoming out, these countries may be spared from a downturn lasting longer than two quarters.”

-Ends-

HCOB Eurozone Manufacturing PMI

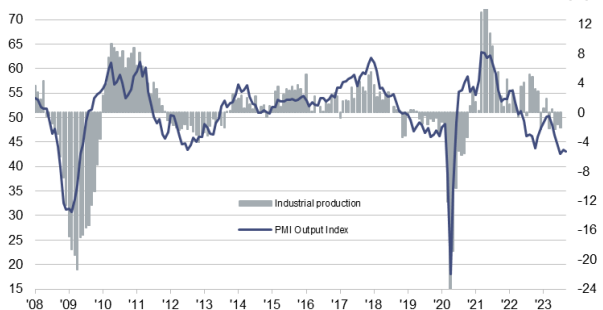
sa, >50 = improvement since previous month



Source: HCOB, S&P Global PMI.

Manufacturing PMI Output Index

sa, >50 = growth since previous month



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

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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 89% 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

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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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