

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Eurozone Manufacturing PMI[®]

Eurozone manufacturing remains in contraction, weighed down by Germany and France

Key findings:

HCOB Eurozone Manufacturing PMI at 45.8 (Jul: 45.8). Unchanged.

HCOB Eurozone Manufacturing PMI Output Index at 45.8 (Jul: 45.6). 2-month high.

Eurozone goods prices rise for first time since April 2023 despite accelerated drop in new orders

Data were collected 12-22 August

Manufacturers in the euro area remained under pressure midway through the third quarter, with downturns in factory output continuing across the majority of nations covered by the survey. Overall new order inflows fell at the sharpest rate in 2024 so far, leading retrenchment efforts to continue as manufacturers reduced input purchasing, employment and inventories. In addition, business confidence slipped to a five-month low.

Nevertheless, despite a rapid contraction in sales, prices charged for eurozone goods increased for the first time since April 2023 amid a third consecutive monthly rise in operating costs.

The **HCOB Eurozone Manufacturing PMI**, a measure of the overall health of eurozone factories compiled by S&P Global, registered 45.8 in August, as was also the case in both June and July, thereby signalling another solid deterioration in operating conditions across the euro area manufacturing sector. The headline index has registered in sub-50.0 territory on an ongoing basis since July 2022.

Of the nations covered by the PMI surveys, it was the euro area's big-two economies – Germany and France – that provided the strongest drags on aggregate factory performance in August. In both instances, manufacturing conditions worsened. The only countries that registered growth were Greece, Spain and Ireland, although in the former two, rates of improvement slowed.

Factory performance was dented by a further steep contraction in new orders during August. The decline in total sales was the most pronounced in the year-to-date and broadly in line with that seen on average across the current 28-month period of shrinking demand. Weaker intakes of new export* business were also recorded, with the rate of decline its steepest for eight months.

A sharper downturn in sales placed a greater onus on eurozone manufacturers' backlogs as a means to support production. Indeed, outstanding business volumes fell at the fastest rate since February. The decline in output slowed slightly and was markedly softer than that for new orders.

Nevertheless, retrenchment and cost-cutting efforts were seen across the survey data in August. Purchasing quantities decreased at a pace that was not only substantial, but also the strongest since April. For a nineteenth month in a row, the volume of inputs held as stock contracted, while inventories of finished products likewise fell. Rates of decrease did slow in both cases, however.

Meanwhile, factory employment levels within the eurozone were reduced further midway through the third quarter, extending the current run of job cutting to 15 months. Lower staffing numbers coincided with another month in which business confidence weakened. Overall expectations for output growth in the year ahead were at their weakest since March and below the series long-run average.

For a third consecutive month, eurozone manufacturers reported an increase in their overall input costs. The rate of inflation slowed fractionally but held close to July's 18-month high. Despite sharp and sustained contractions in new orders, eurozone goods producers lifted their prices charged for the first time since April 2023. The extent of the increase in selling prices was only modest, however.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: August

Greece	52.9	8-month low
Spain	50.5	7-month low
Ireland	50.4	6-month high
Italy	49.4	5-month high
Netherlands	47.7	8-month low
Austria	44.4	3-month high
France	43.9 (flash: 42.1)	7-month low
Germany	42.4 (flash: 42.1)	5-month low

Comment

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

“Things are going downhill, and fast. The manufacturing sector has been stuck in a rut, with business conditions worsening at the same solid pace for three straight months, pushing the recession to a gruelling 26 months and counting. New orders, both domestic and international, are slowing down even more, dashing any short-term hopes for a rebound. Adding insult to injury, input prices have been creeping up again since June. There is a silver lining insofar as companies managed to pass some of these higher costs onto their customers in August.

“The deflationary phase in the goods sector might be coming to an end. For the first time since April of last year, selling prices rose, driven by France, the Netherlands, Greece and Italy. This could spell trouble for the ECB, which has been grappling with persistent inflation in services while relying on falling manufacturing prices to keep disinflation on track. Higher transport costs are partly to blame for this uptick in price pressure. Although the price increase in goods is still modest, the ECB will undoubtedly keep a close eye on this development.

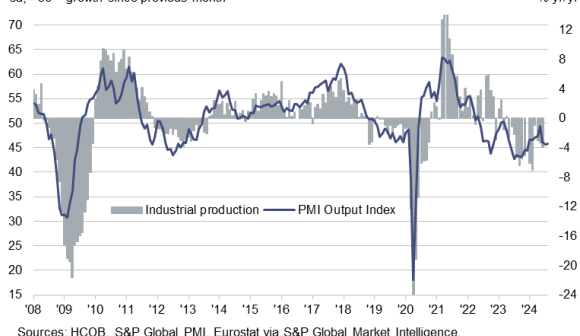
“Among the eurozone countries in the PMI survey, Austria, Italy and Ireland are bucking the trend. Unlike the others, their indices are actually ticking up instead of down. Italy's Manufacturing PMI was just below the 50 mark, hinting at near-stagnation rather than outright decline. Spain isn't far off, barely staying above the critical 50 level, while Greece is still leading the pack. But with such a broad downturn across the board, there is little sign that things will get better anytime soon.”

-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 86% 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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