NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0955 CET (0855 UTC) 1 February 2024

HCOB Germany Manufacturing PMI®

PMI points to manufacturing downturn easing, but firms maintain cautious outlook

Key findings:

HCOB Germany Manufacturing PMI at 45.5 (December: 43.3). 11-month high.

HCOB Germany Manufacturing PMI Output Index at 45.7 (December: 43.8). 8-month high.

Slower falls in both output and new orders in January despite Red Sea attacks causing shipping delays

Data were collected 11-24 January 2024.

The downturn in Germany's manufacturing sector showed further signs of easing in January, with output, new orders and purchasing activity all falling at the slowest rates for several months, the latest HCOB PMI® survey conducted by S&P Global showed. Still, goods producers reported another solid round of job cuts, reflecting softer capacity pressures and low expectations for the year ahead.

The improvement in supplier delivery times observed since late-2022 meanwhile virtually stalled in January, as firms reported delays to shipments from Asia due to the incidents in the Red Sea. Signs of a spillover to prices were limited, however, with input costs still in decline, albeit at a slightly reduced rate.

The **HCOB Germany Manufacturing PMI®** – which is a gauge of overall business conditions based on measures of new orders, output, employment, supplier delivery times and stocks of purchases – stayed on an upward trajectory at the start of the year, rising for the sixth month in a row. At 45.5, up from December's 43.3, the latest reading was the highest since February 2023 but still comfortably inside sub-50 contraction territory.

Weak demand continued to weigh on the manufacturing sector at the start of the first quarter. Reports from surveyed firms highlighted factors such as still-high stocks levels among customers, tight financial conditions and geopolitical tensions. The rate of decline in new orders did however ease notably from the month before, slowing to the weakest since last April. The drag from falling export sales – which owed largely to the European market – also eased in January.

The latest decline in output, although still solid by historical standards, was the least marked for eight months. Purchasing activity among manufacturers continued to fall sharply, with firms commenting on not only lower production requirements but also ongoing efforts to streamline stocks. However, even on the buying front, latest data showed a slowdown in the rate of decline to the weakest since March last year.

There were reports of delays to deliveries of purchases from Asia, due to the rerouting of freight around the Cape of Good Hope. Average lead times, which had been improving rapidly up to January, broadly stabilised as the effect of weakening demand for inputs was counterbalanced by the shipping disruption.

Whilst transport costs reportedly increased in January, this was offset by declines in input prices elsewhere, linked in part to supplier discounts. Overall, the rate of decline in input costs remained sharp despite easing to the weakest for nine months.

Average factory gate charges meanwhile fell only modestly. Although quickening slightly since December, the rate of decline was still the second-slowest recorded since output charges began falling last June.

With backlogs of work still being depleted rapidly during January, German manufacturers maintained a preference for lower workforce numbers. Factory employment fell for the seventh month running and at a solid rate that was little-changed from the previous survey period.

The reduction in staffing capacity also tallied with subdued expectations for activity in the year ahead. Business confidence eased since December and was well below the historical average, with the number of firms predicting output to rise over the next 12 months (29%) only slightly exceeding those forecasting a decline (26%).

Comment

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

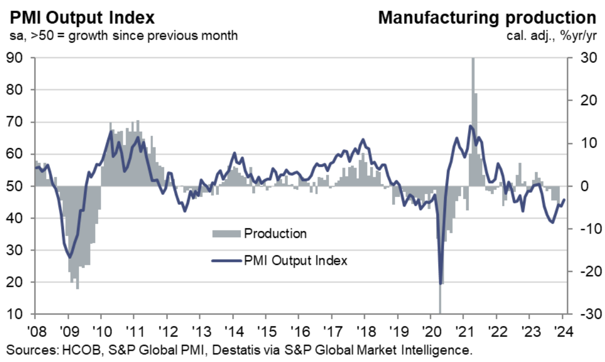
“It could have been worse. Although the German manufacturing sector remains entrenched in recessionary territory in January, the pace of the downturn is unmistakably slowing. This marks a continuation of a trend that has persisted for six consecutive months. Such a trajectory suggests that growth might make a comeback within the next few months.

"Surprisingly, companies in Germany appear to be weathering problems in the Red Sea quite well, according to the supplier delivery times index. While the index has dipped noticeably, it remains above 50, suggesting that, on average, delivery times have not yet stretched. This is remarkable as, courtesy of the ongoing Houthi attacks at Bab el-Mandeb strait, most commercial vessels are opting for the longer route around South Africa, tacking on at least an additional seven days to their voyages. The resilience of German companies may be attributed to an improved supply chain management, namely through strategic diversification of suppliers. The five-day strike at the German railway company in late January, encompassing freight trains, however, poses a new obstacle to the industry.

"Demand is still in the doldrums, as new orders have been contracting for 22 consecutive months. This kind of prolonged decline has not been seen since the PMI series kicked off in 1996. However, amidst this challenging scenario, there is a silver lining. The new orders subindex has marked its fifth consecutive monthly increase. This upward trend extends across consumer, intermediate, and investment goods. Historically, such rallies have culminated in a scenario of burgeoning new orders, as witnessed in 2009 and a decade earlier in 1999.

"Companies are taking advantage of the deflationary environment. Indeed, input prices continue to fall much faster than output prices do, which should help firms to prop up their margins. This is nothing unusual as prices charged are usually adjusted at a much slower pace than the input prices like raw materials which are a given on the world market. Whereas when inflation starts to pick up like it did in 2022, output prices increase much slower than input prices, putting pressure on profits."

-Ends-



Contact

Hamburg Commercial Bank AG
Dr. Cyrus de la Rubia
Chief Economist
T: +49-160-9018-0792
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
Phil Smith
Economics Associate Director
T: +44-1491-461-009
phil.smith@spglobal.com

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

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 94% 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.

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

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.).

Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME), Frankfurter Str. 27, 65760 Eschborn, GERMANY

Contact: Frank Rösch, Head of Press and Communications

E-mail: frank.roesch@bme.de Internet: www.bme.de

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

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.