NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI®

Eurozone factory downturn remains strong in November, but reductions in output, new orders and inventories ease

Key findings:

HCOB Eurozone Manufacturing PMI at 44.2 (Oct: 43.1). 6-month high.

HCOB Eurozone Manufacturing PMI Output Index at 44.6 (Oct: 43.1). 6-month high.

Softer declines recorded for new orders, stocks and purchasing activity, but employment cuts intensify

Data were collected 09-23 November

The eurozone manufacturing sector remained mired in a downturn during November, but contractions in output, new orders, purchasing activity and inventories slowed, while business confidence edged up to a three-month high. That said, factory job losses across the single currency union were extended into a sixth month, with the decrease in employment accelerating to its sharpest since August 2020.

Meanwhile, another marked fall in input costs enabled eurozone manufacturers to discount their selling prices for the seventh time in as many months. Rates of deflation in both cases cooled, however.

The **HCOB Eurozone Manufacturing PMI**, compiled by S&P Global, posted below the 50.0 threshold that separates growth and contraction for a seventeenth month in a row during November, signalling a further worsening of conditions within the goods-producing sector. However, while the latest reading of 44.2 pointed to another strong deterioration, this was up from 43.1 in October and the highest since May.

Of the eight nations included in the HCOB Eurozone Manufacturing PMI, six recorded in contraction territory. Austria was the worst performer in November, closely followed by Germany and France. All three countries recorded softer rates of decline, however, and this was also the case in the Netherlands and Spain. By contrast, Italy's manufacturing downturn intensified. Two nations bucked the wider trend of contraction during November – Greece and Ireland – with the former seeing growth improve to a three-month high. Ireland's manufacturing economy stabilised after back-to-back months of decline.

Factory production across the euro area continued to decrease during November. That said, while the pace of decline was strong overall, it eased to its softest since May. A slower fall in output coincided with a weaker contraction in new orders, and the slump in new export[1] sales (which has been ongoing since March 2022) also moderated.

Eurozone manufacturers were less aggressive with their destocking efforts, November survey data showed, with pre- and post-production inventory levels falling at weaker rates. The fall in stocks of purchases was nevertheless the second-fastest seen since December 2012 amid another substantial month-on-month reduction in manufacturers' buying activity.

Backlogs of work declined in November, extending the current period of depletion in outstanding business to a year-and-a-half. Lower volumes of incomplete orders, in tandem with a continued and marked deterioration in demand, led eurozone manufacturers to reduce their staffing capacity for a sixth month in a row midway through the fourth quarter. Furthermore, the rate of job shedding was the fastest since August 2020. That said, although employment cuts worsened, there was a pick-up in business confidence during November, with growth expectations at their strongest for three months.

Meanwhile, suppliers' delivery times shortened for the tenth month in succession during November. The extent to which vendor performance improved was solid, but considerably softer than those seen on average in the first half of the year.

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Lastly, the latest survey data signalled a further sharp reduction in costs faced by eurozone factories. This was despite the rate of decrease in input prices cooling to its softest since April. Output charges continued to be discounted, as has been the case since May, as lower costs enabled businesses to offer more competitive prices to their clients.

[1] *Includes intra-eurozone trade.*

Countries ranked by Manufacturing PMI: November

Greece	50.9	3-month high
Ireland	50.0	3-month high
Spain	46.3	2-month high
Netherlands	44.9	3-month high
Italy	44.4	5-month low
France	42.9 (flash: 42.6)	2-month high
Germany	42.6 (flash: 42.3)	6-month high
Austria	42.2	8-month high

Comment

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

"November has not been the prettiest, and this does not refer only to the weather but also to the situation in the manufacturing sector of the eurozone. Output is still on the decline, and firms have trimmed their staff for a sixth straight month. Sure, almost all the sub-indices have perked up a bit. However, the improvements are mostly timid, lacking the dynamism needed to declare an upward trend.

"The consumer goods sector seems to be in a somewhat better position than intermediate and investment goods. This is a familiar pattern in recessions, where a significant portion of private consumption tends to maintain its stability. In contrast, the cyclical nature of intermediate and investment goods exposes them to economic downturns. The script might flip when the tide changes, with these sectors potentially outpacing consumer goods in a manufacturing recovery. Yet, the current state of the PMI indexes suggests that this turning point might still be a distance away.

"Could we take a glimmer of hope from new orders? The corresponding index, stagnant at more or less 39 points for a four-month stint, has finally made a move, reaching a six-month high. As one-month shifts demand caution, it is prudent to hold off on declaring this to be a trend until we see another month or two of upward movement.

"While the downturn is broadly based across the eurozone, dynamics differ among the top four economies of the currency union. Germany stands out as the single country where the fall in output is softening, while the others are experiencing a deepening of the crisis. In terms of new orders, Germany, France, Italy and Spain witnessed slowdowns in new order declines, but to varying degrees. These heterogeneous movements show that the recovery, which will kick in eventually next year in our view, might encounter some resistance in gaining momentum. A crucial barometer for the recovery's onset will likely be a more synchronized upward movement in the economies PMI indexes, leading to a self-reinforcing reciprocal push among countries."

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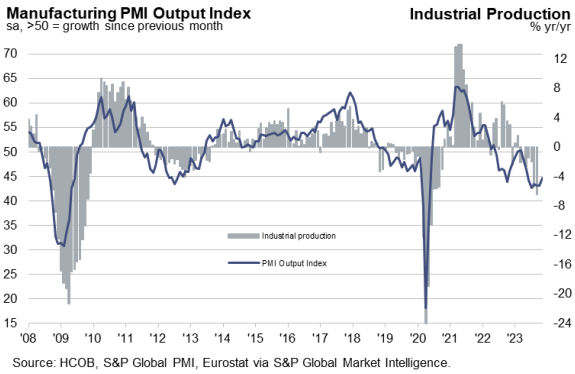

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Note to Editors
The HCOB Eurozone Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of manufacturers in Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece, totalling around 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 92% 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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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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