

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

Euro area factory production close to stabilising in May

Key findings:

HCOB Eurozone Manufacturing PMI at 47.3 (Apr: 45.7). 14-month high.

HCOB Eurozone Manufacturing PMI Output Index at 49.3 (Apr: 47.3). 14-month high.

Peripheral eurozone countries see expansions in factory output; downturns in Germany and France cool

Data were collected 10-23 May

Although euro area manufacturing production fell again in May, it did so only marginally and to the slowest extent in over a year, latest HCOB PMI[®] survey from S&P Global showed. This marked the third successive month where the decline in factory output has slowed, with production coming close to stabilising. There were also softer contractions in total new orders, exports and purchasing activity, while business confidence increased further.

The **HCOB Eurozone Manufacturing PMI**, a monthly measure of the overall health of eurozone factories and compiled by S&P Global, rose to 47.3 in May, from 45.7 in April. While this was still below the 50.0 no-change threshold, it was the highest reading in the headline index since March 2023, indicating the slowest deterioration in the health of the euro area goods-producing sector for over a year.

Improved Manufacturing PMI figures were seen across the majority of the countries covered by the survey. Germany and France – the two largest economies in the single currency union – saw contractions slow, although the former was still the eurozone's worst-performing manufacturing sector. On the other hand, accelerated expansions were seen in Spain and the Netherlands, both of which registered the best improvements in factory operating conditions since 2022. Greece retained the top rank, despite growth here cooling to a four-month low.

There was a near stabilisation of production across the eurozone in May. While factory output fell, the contraction was the softest in just over a year and only marginal overall. Surveyed companies reported lower new orders – a factor which continued to inhibit production lines – midway through the second quarter. That said, the rate of contraction was the weakest in two years. New export* sales also decreased, with the decline likewise cooling to its weakest since May 2022.

Backlogs of work continued to be reduced in May as subdued demand conditions led eurozone factories to use outstanding orders as a means to support output. However, while the rate of depletion was marked, it was the weakest since August 2022. Employment across the euro area manufacturing sector was decreased further amid evidence of surplus capacity, extending the current period of factory job losses to a year. The rate of decrease matched that seen in April and was modest.

Purchasing activity continued to shrink midway through the second quarter, although the pace of decline was its softest since September 2022. This partly reflected sufficient input stock levels, as the latest survey data pointed to a sixteenth successive monthly reduction in eurozone manufacturers' pre-production inventories. Regarding deliveries of raw materials and other items needed for production, panellists reported a further improvement in lead times.

Input costs fell again, stretching the current sequence of decreases that commenced in March 2023. However, the decline was marginal and the slowest over this period. There was a further month-on-month reduction in the price of goods leaving the factory gate across the eurozone.

Looking ahead, eurozone goods producers reported a strong level of optimism towards production prospects over the next 12 months. The level of positive sentiment was above its series average and the highest since February 2022.

*Includes intra-eurozone trade

Countries ranked by Manufacturing PMI: May

Greece	54.9	4-month low
Spain	54.0	26-month high
Netherlands	52.5	21-month high
France	46.4 (flash: 46.7)	3-month high
Austria	46.3	15-month high
Italy	45.6	5-month low
Germany	45.4 (flash: 45.4)	4-month high

*Ireland data released 4 June.

Comment

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

“This could be the turning point for the manufacturing sector. The industry is on the verge of halting the production decline that has persisted since April 2023. This is largely supported by more favourable trends in intermediate and capital goods. Additionally, more companies are reporting positive developments in order intakes from both domestic and international markets, although this is still being offset as a larger proportion saw declines in May. Encouragingly, business confidence regarding future production is at its highest level since early 2022.

“Optimism is growing, but companies remain cautious. They continue to reduce personnel and hold back on purchasing intermediate goods. This caution may also be reflected in the accelerated decrease in inventories of produced goods. This suggests that some companies were surprised by recovering demand, which they couldn't or didn't want to immediately meet with increased production.

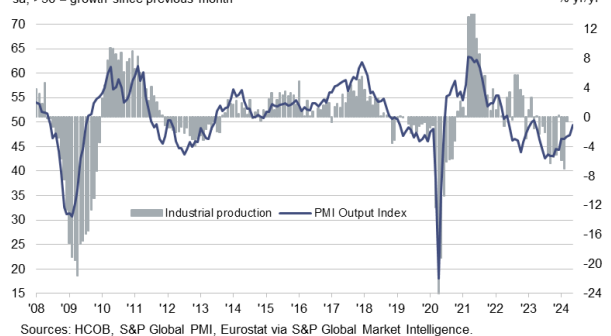
“Germany might soon be ready to overtake its main Eurozone competitors. Although Germany's HCOB Manufacturing PMI remains the lowest of the four major Eurozone economies, it is close behind Italy. Italy, as of lately considered an outperformer, has seen its situation deteriorate. France follows closely, as its industrial sector has improved less than that of its northern neighbour. Spain however remains out of reach for now, being the only one of the Euro-4 countries with a growing industrial sector.”

-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

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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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