NEWS RELEASE
MARKET SENSITIVE INFORMATION
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# HCOB Eurozone Composite PMI®

## Eurozone economy's downturn continues in December

**Key findings:**

HCOB Eurozone Composite PMI Output Index at 47.6 (Nov: 47.6). Unchanged.

HCOB Eurozone Services PMI Business Activity Index at 48.8 (Nov: 48.7). 5-month high.

Business activity, new orders and employment remain in contraction, but confidence edges up

Data were collected 5-19 December 2023

The downturn in the eurozone economy stretched into the final month of 2023, December HCOB PMI® survey data showed, extending the contraction seen since June. Demand for euro area goods and services continued to weaken while employment levels fell again, just the second time this has been the case in almost three years. That said, businesses' growth expectations improved, recovering further from last September's recent low to reach their strongest for seven months (albeit remaining subdued by historical standards).

The seasonally adjusted **HCOB Eurozone Composite PMI Output Index**, a weighted average of the HCOB Manufacturing PMI Output Index and the HCOB Services PMI Business Activity Index, matched November's 47.6 in December, therefore registering beneath the critical 50.0 threshold for a seventh straight month and signalling a moderate but sustained decline in business activity across the eurozone. Notably, the latest survey data ensured that sub-50.0 readings have been seen in every month through the third and fourth quarters of 2023.

Both manufacturing and services saw output decrease in December, with rates of contraction broadly unchanged from the previous month. In terms of performance by country, PMI data revealed the largest economies to be the biggest drags on business activity within the euro area. Of the nations where Composite PMI data are available, France, Germany and Italy occupied the bottom three rankings in that order. On the other hand, Ireland and Spain saw output rise. Notably, although Spain's expansion was marginal, it was the fastest since last July.

Activity levels were constrained at the end of the year by a further weakening of demand conditions. The latest survey data signalled a further solid drop in new business receipts by both eurozone manufacturers and service providers. Although the fall in private sector new orders was the slowest since last July, it was solid. A considerable drag on sales performances came from external markets, with new export[1] business falling sharply and at a quicker pace than that seen for total new orders.

Private sector companies across the euro area made further inroads into their backlogs of work at the end of the year, a trend which has been seen in almost every month since mid-2022. The rate of depletion slowed slightly to its weakest for five months, but was solid nevertheless. The sustained reduction of backlogs, which was enabled by a further shrinking of new orders, also contributed to a second straight month-on-month decline in employment levels. While the rate of job shedding was only marginal, it was the joint-fastest for three years.

That said, there was a strengthening of firms' growth expectations towards the year ahead. This was evidenced by the HCOB Composite PMI Future Output Index rising further into optimistic territory and reaching a seven-month high. This marked a sustained improvement in business sentiment since September's recent low. However, the overall level of optimism remained subdued by historical standards and was below its long-term average.

Turning to prices, the latest survey data signalled a cooling of input cost pressures. The rate of increase in operating expenses was the softest in four months. Private sector companies hiked their prices more aggressively, however, with the rate of output charge inflation accelerating to a six-month high.

**Countries ranked by Composite PMI Output Index: December**

| | | |
|---|---|---|
| Ireland | 51.5 | 2-month low |
| Spain | 50.4 | 5-month high |
| Italy | 48.6 | 3-month high |
| Germany | 47.4 (flash 46.7) | 2-month low |
| France | 44.8 (flash: 43.7) | 4-month high |

[1]includes intra-eurozone trade.

# HCOB Eurozone Services PMI®

The **HCOB Eurozone Services PMI Business Activity Index** rose fractionally to 48.8 in December, from 48.7 in November, signalling a modest contraction in services output across the euro area that was broadly similar to that seen previously. Overall, the decline was the fifth in as many months, although the latest contraction was the softest over this sequence.

Demand for eurozone services fell at the end of the year. Having said that, the rate of decline in new business receipts was the lowest since last July. Sales made to foreign clients also contracted, with the decrease quickening since the month prior.

Employment growth was maintained across the euro area services economy. The rate of job creation was unchanged on the month and only marginal. In fact, the expansion in workforce numbers was the joint-second softest since February 2021. Backlogs of work continued to fall, as has been the case since last July.

Business confidence improved during December, rising to its highest level since mid-2023. Nevertheless, growth expectations remained weak by historical standards.

Lastly, December survey data showed eurozone services firms were more aggressive with their price setting, despite input cost inflation slowing to a five-month low.

**Comment**

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

*"That is neither fish nor fowl. The service sector across the Eurozone is experiencing a slight contraction, much like it did in November, while job numbers are still ticking up, albeit marginally. It's not quite recession territory yet for services, but the vibe is far from growth-oriented. There are a lack of clear signals indicating an imminent return to robust expansion.*

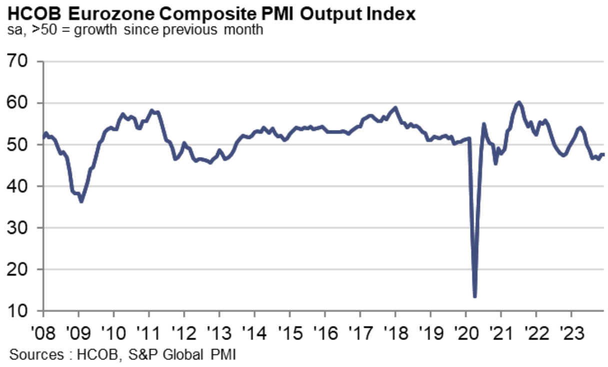
*"The Composite PMI, a reliable indicator of overall economic performance, is sounding the recession alarm for the Eurozone, though. Adding weight to this observation is our GDP Nowcast model, which forecasts a back-to-back contraction in the region's output for the fourth quarter.*

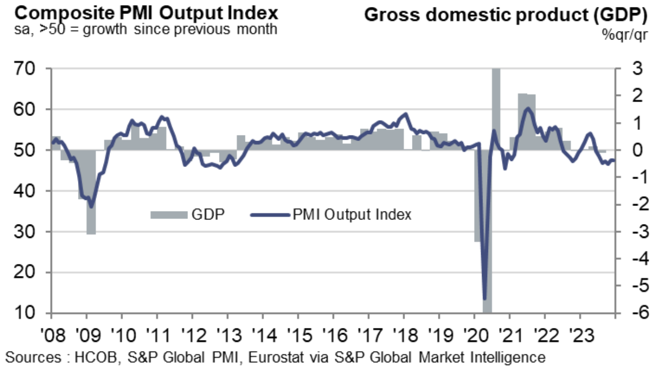
*"In the face of a stagnant services sector, it's impressive that service providers are successfully transferring a portion of their growing input costs to customers. Sales prices, in fact, saw a noticeable increase in December, and at a slightly elevated pace. This will go against those members of the European Central Bank who are inclined to cut rates already in March. We expect a first rate cut in June.*

*"Signals of future activity are not painting an optimistic picture. New business opportunities continued to contract at a rate similar to previous months. Although there is a slight uptick in expectations for activity in the next 12 months, the index still lingers well below the long-term average.*

*"The trajectory in the service sectors of the top four Eurozone countries varies significantly. Spain stands out as the clear winner, with its service providers achieving growth for the fourth consecutive month. In contrast, Germany and Italy have been languishing in a state of stagnation for a similar duration. Meanwhile, France's service providers take the unfortunate title of worst performers, with their output consistently declining for seven consecutive months."*

-Ends-


HCOB Eurozone Composite PMI Output Index
sa, >50 = growth since previous month
70
60
50
40
30
20
10
'08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23
Sources : HCOB, S&P Global PMI


Composite PMI Output Index
sa, >50 = growth since previous month
Gross domestic product (GDP)
%qr/qr
70
60
50
40
30
20
10
3
2
1
0
-1
-2
-3
-4
-5
-6
GDP
PMI Output Index
'08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23
Sources : HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence

**Contact**


**Hamburg Commercial Bank AG**
Dr. Cyrus de la Rubia
Chief Economist
T +49-(0)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**
Chris Williamson
Chief Business Economist
T: +44-207-260-2329
chris.williamson@spglobal.com

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


**Note to Editors**

The HCOB Eurozone Composite 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, and of service providers in Germany, France, Italy, Spain and Ireland, totalling around 5,000 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 and services are calculated by weighting together the country indices using national manufacturing and services annual value added*. Composite eurozone level indices are calculated by weighting comparable manufacturing and services indices using eurozone manufacturing and services annual value added*.

The headline composite figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

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 composite data were calculated from 84% of final responses. Since January 2006 the average difference between final and flash Composite PMI Output Index values is 0.0 (0.3 in absolute terms). Flash services data were calculated from 76% of final responses. Since January 2006 the average difference between final and flash Services PMI Business Activity Index values is 0.0 (0.3 in absolute terms).

For further information on the PMI survey methodology, please contact economics@spglobal.com. *Source: Eurostat.

**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.



**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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