

NEWS RELEASE

MARKET SENSITIVE INFORMATION

Embargoed until 0955 CET (0855 UTC) 1 December 2023

# HCOB Germany Manufacturing PMI<sup>®</sup>

## Downturn in manufacturing sector shows further signs of easing in November

### Key findings:

Output and new orders post weakest declines for six months

Rate of job cuts accelerates despite uptick in expectations

Slower fall in average factory gate charges

Data were collected 9-23 November 2023.

November's HCOB PMI<sup>®</sup> survey conducted by S&P Global provided further signs that the downturn in Germany's manufacturing sector was easing, with businesses reporting the slowest declines in both output and new orders for six months. Expectations towards future activity meanwhile improved but remained pessimistic. The main negative development in November was an accelerated drop in factory employment.

Falling demand across the manufacturing sector was once again reflected in downward pressure on prices as competition for new work fuelled further discounting. The rate of decline in average factory gate charges was the weakest for five months, however.

The HCOB Germany Manufacturing PMI<sup>®</sup> – which is a gauge of overall business conditions based on measures of new orders, output, employment, supplier delivery times and stocks of purchases – registered 42.6 in November. This latest reading was still firmly below the 50.0 no-change threshold, although it was up from October's 40.8 and marked a fourth straight monthly rise in the index.

The result was largely driven by slower declines in both production and new orders. Having eased for the second straight month, the rate of contraction in output was the weakest seen since May. Underlying data showed that this mainly reflected trends in the consumer and investment goods groupings, which moved closer to stabilisation.

New orders continued to fall more quickly than output during November, which in turn led to the continued depletion of backlogs of work. However, the rate of contraction in new orders slowed notably and was the weakest for six months. It was a similar story for new export business, which posted the least marked reduction since April.

Employment was one of the few areas where the latest data showed a faster rate of decline, with factory workforce numbers dropping to the greatest extent since October 2020. Net job losses have now been recorded in each of the past five months.

As well as cutting staffing capacity during November, German manufacturers once again scaled back their purchasing activity. The rate of contraction was sharp, but it eased for the third month running to the weakest since May. Firms reported reducing buying levels in line with lower production and stock requirements. Pre-production inventories fell for the tenth straight month in November, with improved material availability enabling firms to maintain lower buffer stocks. The rate of depletion eased, however, as was the case for firms' holdings of finished goods.

The improvement in material availability was underlined by a thirteenth successive monthly shortening of supplier delivery times. Furthermore, the extent to which vendor performance improved was slightly more marked than in the previous survey period.

Manufacturers' purchasing prices meanwhile remained under pressure amid a slowdown in demand for inputs. Costs even fell

at a slightly faster rate than in October. Discounting due to competition for new work meanwhile led to a sixth straight monthly reduction in average prices charged by goods producers. The rate of decline did however ease for the second month running to the weakest since June.

Looking ahead, German manufacturers remained downbeat about prospects for output over the next 12 months. That said, expectations recovered further from September's recent low to reach the highest since May.

## Comment

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

*"There is a flicker of hope in the German manufacturing sector. Even though the November data still places the sector in the recession arena, the rate of output decline is tapping the brakes compared to the previous month. Surely it could be premature to conclude that a trend is underway considering it is only the second consecutive month of improvement in the output index. However, almost all activity-related subindices rose, except for the lagging indicator of employment.*

*"New orders are still sliding at a brisk pace, but we are confident that growth in new orders is not very far away. The reduction in new orders has eased for three months straight, mirroring similar trends in export orders and purchases of inputs. Still, a strong rebound is not what we expect as the world economy – the driver for German manufacturers – will most probably grow only modestly again next year.*

*"We see tentative signs that the stock cycle is about to turn the corner. Stocks of purchases are still shrinking, but the index has increased significantly after lingering at levels reminiscent of past recessions, from the internet bubble burst to the euro crisis and the Covid-19 pandemic. If we take a cue from these historical phases, companies might just start to normalize their stocks during the first half of next year. This would be supportive to growth.*

*"The current production situation remains gloomy for firms producing intermediate goods. Here, output plunged further. By contrast, producers of consumer goods and investment goods scaled back output at a gentler pace compared to previous months. The forward-looking new orders index paints a somewhat brighter picture for the intermediate goods sector, indicating a softer decline than in the other two sectors and the weakest fall overall since April.*

*"Companies are dialling back on the pessimism when it comes to future output. However, we have to consider that the German constitutional court's bombshell regarding debt brake compliance was only partly considered during the November survey period. We see considerable downside risk as important investments and subsidies which were to be financed via off-balance vehicles may be dropped. In this respect, the industry might be at the forefront of this judicial budget storm."*

-Ends-

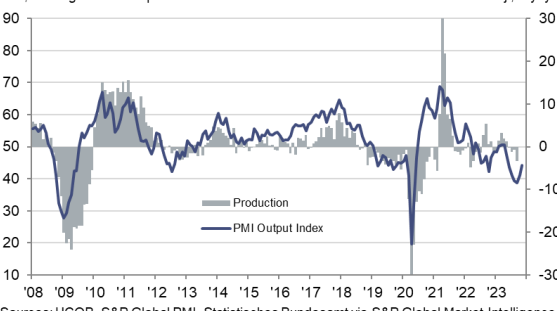
**HCOB Germany Manufacturing PMI**

sa, >50 = improvement since previous month



**PMI Output Index**

sa, >50 = growth since previous month



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## Note to Editors

The HCOB Germany Manufacturing PMI<sup>®</sup> 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<sup>™</sup> (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 95% 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](mailto: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. [www.spglobal.com/marketintelligence/en/mi/products/pmi.html](http://www.spglobal.com/marketintelligence/en/mi/products/pmi.html)

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