

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

Factory orders decline at slowest pace in nearly a year

Key findings:

HCOB Eurozone Manufacturing PMI at 46.5 (Jan: 46.6). 2-month low.

HCOB Eurozone Manufacturing PMI Output Index at 46.6 (Jan: 46.6). Unchanged.

Slowest contractions in new orders and purchasing activity since March 2023

Data were collected 12-22 February

Further tentative signs of recovery in the euro area manufacturing sector were evidenced by the latest HCOB PMI[®] survey, with forward-looking indicators such as new orders and purchasing activity signalling their softest falls in close to a year in February. Production levels decreased midway through the first quarter, although the rate of contraction held steady. Further encouragement can be taken from eurozone manufacturers' growth expectations, which were on a par with January's nine-month high.

Meanwhile, supplier delivery times shortened in February after a slight lengthening in the previous survey period. Manufacturing input costs fell further, leading to further discounts on eurozone goods.

The **HCOB Eurozone Manufacturing PMI**, a monthly measure of the overall health of eurozone factories and compiled by S&P Global, registered a fractional month-on-month fall in February. Nevertheless, at 46.5, the headline index was broadly unchanged from January's 10-month high of 46.6 and signalled the second-slowest deterioration in manufacturing sector conditions since March 2023.

The drop in the HCOB Eurozone Manufacturing PMI was entirely driven by the largest economy of the single currency union, Germany, which registered its sharpest deterioration in four months. The strongest performances were seen in the periphery of the eurozone, with Greece and Ireland recording their best expansions for 24 and 20 months, respectively. Spain returned to growth for the first time in nearly a year, while softer contractions were seen in the Netherlands, Italy and France.

The downturn in demand for euro area goods cooled for a fourth consecutive month during February, with factory orders declining at the slowest pace since March last year. There were also positive signals to be taken from other forward-looking survey indicators, such as quantities of purchases, which also fell to the softest extent in close to a year. Improvements in these indices coincided with resilience in growth expectations, which were on a par with the nine-month high seen in January.

Total factory output across the eurozone continued to shrink, February survey data showed, although the rate of contraction was unchanged from January (and therefore the joint-weakest for ten months). Nevertheless, eurozone manufacturers were able to clear orders pending completion. The rate of depletion was sharp and slightly faster than at the beginning of the year. The reduction in backlogs was achieved despite employment levels falling for a ninth month in succession.

Eurozone manufacturers continued to reduce their inventories midway through the first quarter of 2024. Stocks of inputs fell to the slowest degree in six months amid speedier supplier delivery times. The improvement in vendor performance followed on from January's lengthening – the first in a year – and points to a positive readjustment in the region's supply chains amid disruption in the Red Sea. Finished goods held in warehouses also declined in February, but at a slightly weaker pace than previously.

Operating expenses faced by factories in the euro area continued to fall during the latest survey period, marking a year of sustained input price deflation. Although the rate of decrease was solid, it was the weakest since March 2023. Prices charged

for eurozone goods were discounted further.

Countries ranked by Manufacturing PMI: February

Greece	55.7	24-month high
Ireland	52.2	20-month high
Spain	51.5	20-month high
Netherlands	49.3	13-month high
Italy	48.7	11-month high
France	47.1 (flash: 46.8)	11-month high
Austria	43.0	Unchanged
Germany	42.5 (flash: 42.3)	4-month low

Comment

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

“The eurozone’s one-year industrial recession is not coming to an end. Output has declined again at the same pace as the previous month, mainly due to the heavyweights Germany and France. Spain, by contrast, is the first of the leading four euro countries to re-enter growth territory. On a slightly more positive note, the decline in new orders in the Eurozone has softened somewhat, offering a glimmer of hope for a potential demand recovery in the future.

“The attacks by the Houthis on commercial vessels in the Red Sea have had a temporary impact, leading to a brief lengthening of delivery times in January, followed by a subsequent reduction in lead times in February. Consequently, the softer decline in input prices this month is unlikely to be wholly attributed to tensions in the Red Sea but rather to movements in commodity prices, such as the recent rise in oil prices. The fundamental trend of lower demand, which remains the primary driver of faster delivery times, continues to persist.

“Stock of purchases continues to deplete rapidly, albeit at a slightly softened pace for the second consecutive month. Despite this minor moderation, there is little indication of an imminent end to the ongoing one-year-long inventory run-down.

“Prospects regarding future output remain cautiously optimistic, although the index is still slightly below the long-term average, reflecting the prevailing subdued environment. Similarly, employers are reducing their workforce, but with a reluctance to adopt overly aggressive measures in this regard. As a result, the overall sentiment is not one of anticipating an exceptionally bright future, yet firms are also not bracing for depressive times. Instead, it appears that businesses are maintaining their operations, poised to spring back into action when the signs of improvement materialise. They are in a kind of waiting position.”

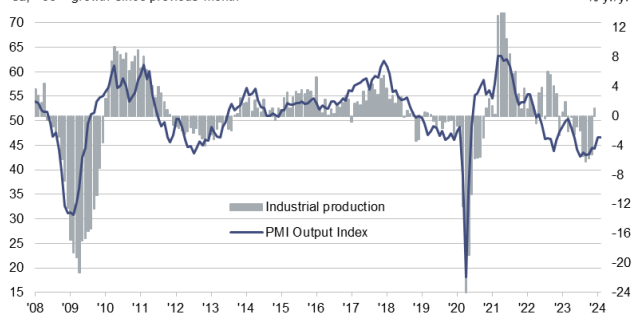
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HCOB Eurozone Manufacturing PMI
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

Manufacturing PMI Output Index
sa, >50 = growth since previous month



Source: 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
Telephone +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 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 89% 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

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. <https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html>

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