NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI®

Eurozone manufacturing sector finishes 2023 with another strong reduction in output

Key findings:

HCOB Eurozone Manufacturing PMI at 44.4 (Nov: 44.2). 7-month high.

HCOB Eurozone Manufacturing PMI Output Index at 44.4 (Nov: 44.6). 2-month low.

Output and employment declines remain steep, but contractions in demand and purchasing cool

Data were collected 05-15 December

The eurozone manufacturing sector remained stuck in contraction at the end of 2023, with output continuing to fall and factory job losses extending into a seventh successive month. There were movements in some sub-indices to suggest the worst of the industry's slump has passed, with contractions in new orders and purchasing activity easing, while business confidence edged up to an eight-month high. That said, goods producers across the euro area continued to reduce their stocks amid absent demand pressures, while suppliers' delivery times improved again, signalling greater spare capacity at vendors. Meanwhile, charges were discounted further as lower costs allowed firms to price their goods more competitively to stimulate sales.

The **HCOB Eurozone Manufacturing PMI**, compiled by S&P Global, rose marginally in December to 44.4, from 44.2 in November. Crucially, the headline index remained in sub-50.0 territory, indicating a further month of deteriorating operating conditions faced by factories across the single-currency union. According to data split by the three main industrial groups, challenges were their most acute for intermediate goods producers, as has generally been the case across the manufacturing industry's current downturn (which has been ongoing for a year-and-a-half).

The increase in the HCOB Eurozone Manufacturing PMI primarily reflected softer deteriorations in Germany and Italy. Notably, France, the second-largest economy in the euro area, recorded the strongest worsening of business conditions in over three-and-a-half years. Greece remained the solitary area of improvement, with growth edging up to a four-month high.

The level of factory production across the euro area continued to shrink in December, with the rate of contraction accelerating slightly. Overall, the pace of decline was strong, albeit the second-weakest since May. France was the main driver of the latest fall, country-level data showed.

Output continued to be constrained by a lack of new business as demand for eurozone goods decreased once again. Although the decline was the softest for seven months, it was sharp nevertheless. New orders from external[1] customers were also down on the month, extending the current sequence of shrinking export sales to nearly two years.

Sustained weakness in demand conditions led firms to make further progress with backlogs. The volume of work outstanding decreased further, highlighting another month of spare capacity across the euro area manufacturing sector. The rate of depletion, albeit sharp, was the slowest since May. Subsequently, factory employment across the eurozone continued to fall, in line with the trend since last June.

A slower rate of decline was also seen in purchasing activity during December. Although eurozone manufacturing companies continued to cut input buying at a considerable rate, the reduction was the weakest in seven months. Stocks of purchases were depleted more rapidly, however, and to one of the greatest degrees in the survey history. Amid sustained inventory reductions and lower demand for inputs, the latest survey data signalled a further improvement in suppliers' delivery times. The extent to which vendor performance improved was the smallest in almost a year.

Meanwhile, growth expectations for the coming year improved in December. Overall, eurozone manufacturers were their most confident in the outlook for production since last April, although the prevailing level of optimism was still subdued by historical comparisons.

Turning to prices data, eurozone factory input costs continued to decrease at the end of 2023, as was the case in the previous nine months. This presented manufacturers with a greater allowance over their own pricing decisions, with the latest survey data indicating another month of discounting. That said, the extents to which input prices and output charges fell were the least marked for eight and seven months, respectively.

[1] *Includes intra-eurozone trade.*

Countries ranked by Manufacturing PMI: December

Greece	51.3	4-month high
Ireland	48.9	2-month low
Spain	46.2	2-month low
Italy	45.3	3-month high
Netherlands	44.8	2-month low
Germany	43.3 (flash: 43.1)	8-month high
France	42.1 (flash: 42.0)	43-month low
Austria	42.0	2-month low

Comment

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

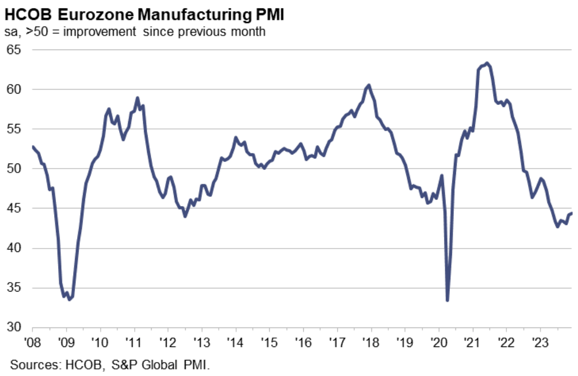
"Amid a relentless slump in the manufacturing sector of the Eurozone, the HCOB PMI has shown little improvement compared to November. This indicates a sustained decline in both activity and demand for manufactured goods. The sluggishness of new orders echoes the gloom, retreating almost as swiftly as the previous month. Our Nowcast model aligns with this pessimistic trend, strongly suggesting a contraction in GDP for the fourth quarter. If this holds true, it paints a bleak picture for the Eurozone and would mean that the Eurozone entered a recession in the third quarter.

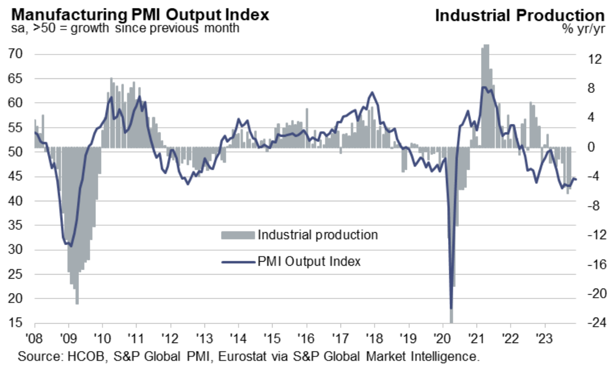
"The destocking process is showing no signs of letting up. Stocks of purchases are shrinking at an accelerated pace and for the eleventh straight month, surpassing the rate observed in the previous month. The pivotal turning point in the inventory cycle is a key factor for initiating a recovery. Our projection places this anticipated shift in the first half of 2024, although the present indicators do not yet support this expectation.

"Given that the Christmas season is in full swing in Europe, many readers may strive for some positive notes. Indeed, a growing number of firms are expressing optimism about their future output over the next 12 months. This optimism could be rooted in the anticipation of a potential decline in interest rates, which is a significant issue for the manufacturing sector, known for its capital and debt-intensive nature. Additionally, companies may also look for lower energy prices as another potential factor contributing to their hopeful outlook.

"As for the top four eurozone economies, December's ranking by manufacturing sector performance made for ugly reading. The least ugly was Spain – Here the PMI is signalling a fall of economic activity that is less pronounced than in Italy, whose industry, in turn, is shrinking at a slower pace than Germany's. France is carrying the red lantern."

-Ends-





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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 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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S&P Global (NYSE: SPGI)

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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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