NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI®

Eurozone factory output contracts at strongest rate in 2024 so far

Key findings:

HCOB Eurozone Manufacturing PMI at 45.8 (Jun: 45.8). Unchanged.

HCOB Eurozone Manufacturing PMI Output Index at 45.6 (Jun: 46.1). 7-month low.

Input costs see fastest increase in a year-and-a-half

Data were collected 11-24 July

The eurozone's manufacturing sector suffered yet another setback at the start of the third quarter as a steeper reduction in new orders led contractions in output and employment to accelerate. There were further declines in purchasing activity and inventories, while business confidence weakened to a four-month low. Notably, after a generally benign inflationary environment in the second quarter, July survey data signalled a marked acceleration of cost pressures, as input prices increased at the fastest rate in a year-and-a-half. Eurozone factories refrained from passing on greater cost burdens to clients, however, as their own charges were broadly unchanged.

The **HCOB Eurozone Manufacturing PMI**, a measure of the overall health of eurozone factories and compiled by S&P Global, matched that seen in June, recording 45.8 once again in July. Subsequently, this represented a further marked deterioration in the health of the euro area's goods-producing economy.

Albeit unchanged on the month, most of the eight monitored eurozone nations saw Manufacturing PMI figures decrease when compared to June. Germany and France, the currency bloc's two largest economies, saw their respective index values drop to three- and six-month lows, respectively. Greece and Spain, which have been the two strongest performers in 2024 so far, also lost growth momentum. Italy and Ireland were the only two countries covered by the survey to see their Manufacturing PMI increase.

For the eurozone as a whole, July survey data indicated a slight acceleration in the factory order downturn that has been ongoing since May 2022. Overall, the pace of contraction was the quickest in three months. Cross-border sales activity also weighed on demand for eurozone goods at the start of the third quarter, as evidenced by another solid reduction in new orders from export markets*.

To compensate for lower workloads, eurozone manufacturers leaned more heavily on their backlogs as a means to support production. Outstanding business volumes were depleted at a sharp and quicker rate in July. In fact, the pace of depletion was the fastest since February. Nevertheless, production levels suffered the most marked contraction in the year-to-date.

Net factory employment fell at the start of the third quarter, with workforce numbers decreasing at the fastest pace since last December. This stretched the current sequence of job shedding to 14 months. Lower staffing capacity coincided with a drop in business confidence, the first time since October last year this has been the case. Overall, expectations for output in the coming year slipped to a four-month low.

Eurozone manufacturers trimmed their purchasing activity in July, albeit to a slightly softer extent than in June. Still, the rate of decline was sharp. In turn, pre-production inventories were reduced for the eighteenth month in a row. The latest survey data signalled a further improvement in supplier performance, but the extent to which delivery times shortened was the weakest in six months.

Lastly, HCOB PMI data revealed another monthly increase in eurozone manufacturers' operating costs. The rate of input price inflation quickened to a one-and-a-half-year high, but remained below the long-run trend. Charges for goods leaving the factory gate were broadly unchanged since June, indicating that firms refrained from passing on higher cost burdens to their clients.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: July

Greece	53.2	7-month low
Spain	51.0	6-month low
Ireland	50.1	5-month high
Netherlands	49.2	6-month low
Italy	47.4	4-month high
France	44.0 (flash: 44.1)	6-month low
Germany	43.2 (flash: 42.6)	3-month low
Austria	43.1	4-month low

Comment

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

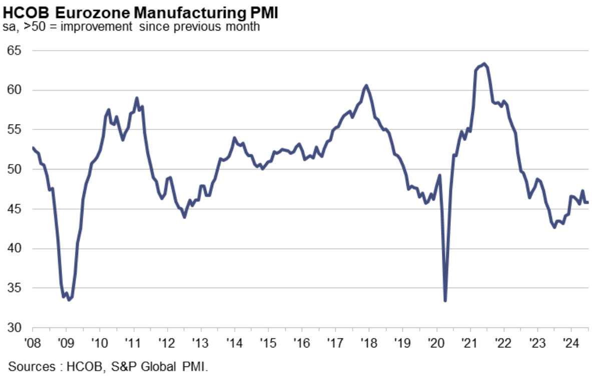
"The widely held belief that the eurozone's recovery would pick up speed in the second half of the year is taking a hit, thanks to the latest HCOB PMI index for the manufacturing sector. Earlier this year, it looked like the sector might gradually climb out of the production slump it had been in for months, but the doubts that surfaced in June have been intensified by an accelerated decline in production in July. Given this weak data, we'll probably need to lower our GDP growth forecast for the year from 0.8%.

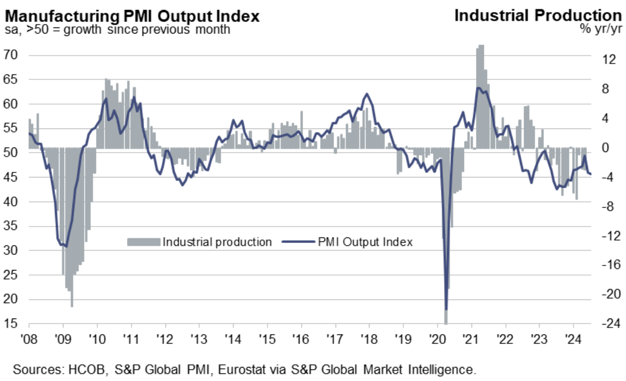
"The weak demand situation has gotten even worse since June, meaning rising input prices can't be passed on to customers so easily. This means shrinking profit margins for businesses. If this trend keeps up, it spells trouble for investment and future growth, as companies will likely start cutting costs. On the flip side, the European Central Bank might have mixed feelings about this. Sure, rising input prices could push inflation up, but falling profit margins might help keep that inflationary pressure in check.

"Demand won't bounce back anytime soon. Incoming orders, which have now dropped for 27 months straight, declined even faster in July. Companies don't seem to have much hope that things will get better soon. In fact, they cut their workforces more sharply in July and their confidence in future production growth has dipped below the long-term average.

"Industrial activity in the eurozone took a hit across the board in July. Among the countries covered by the PMI survey, only Greece and Spain are still seeing meaningful growth, although even there, momentum has slowed significantly. Austria and Germany are showing the greatest weakness. The widespread and steep downturn is surprising, making it more likely that the manufacturing sector will face tough times in the coming months."

-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 90% 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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