

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

Eurozone economy stalls in July as demand for goods and services deteriorates

Key findings:

HCOB Eurozone Composite PMI Output Index at 50.2 (Jun: 50.9). 5-month low.

HCOB Eurozone Services PMI Business Activity Index at 51.9 (Jun: 52.8). 4-month low.

Output price inflation cools to nine-month low despite stronger cost pressures

Data were collected 11-26 July 2024

After a promising start to the year, with economic growth returning and reaching its strongest in a year in May, HCOB survey data for July signalled a further loss of momentum as business activity levels rose at a fractional pace that was the weakest across the current five-month expansion period. Weighing on output was a further reduction in demand for euro area goods and services, particularly from non-domestic sources. Employment levels broadly stagnated, while business confidence slipped to a six-month low.

There were diverging trends when it came to prices as a slightly faster uptick in costs contrasted with the softest increase in output charges since October 2023.

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 – remained in expansion territory in July. However, a second successive monthly decline brought the headline index down from June's 50.9 to 50.2, and therefore close to the 50.0 threshold, meaning growth was only fractional overall and its weakest since activity levels began rising again in March.

Data split by sector indicated that services remained the sole source of growth, although a stronger contraction in factory output and a softer upturn in services activity meant the private sector economy's expansion lost further momentum.

Country-level survey data revealed a renewed drag on the eurozone economy from Germany, which saw business activity levels decline for the first time since March. The French private sector continued to deteriorate (albeit at a pace that was the weakest in three months), but expansions in Spain and Italy were sufficient to just about offset contractions in the euro area's two biggest economies.

Demand conditions in the eurozone deteriorated, latest HCOB survey results for July showed. This marked a second successive monthly fall in new business, and one that was also faster than in June. Once again, sector data showed that weaker sales performances were exclusive to manufacturers, although growth in new workloads slowed at services firms. New orders received from non-domestic* customers fell in a broad-based fashion however, and at the sharpest rate for five months.

To support activity amid falling intakes of new business, eurozone companies cleared backlogs of work in July. The rate of backlog depletion was solid and the quickest since February. Outstanding orders were aggressively reduced in the manufacturing sector, reflecting the comparatively steep fall in new orders.

Looking ahead, eurozone private sector companies expect activity levels to be higher in 12 months, although the level of confidence in these forecasts dwindled. Overall, businesses were their least optimistic since January.

With sales, backlogs and confidence all falling in July, eurozone private sector employment broadly stagnated at the beginning of the third quarter. This contrasted markedly with the first half of the year, where jobs growth averaged a relatively robust pace

that broadly matched the survey's historical average.

July survey data signalled an acceleration of input cost inflation across the euro area. Faster increases in operating expenses were seen at both manufacturers and service providers, although the latter continued to experience the sharpest pressures. Notably, the overall pace of input price inflation was the joint-quickest in 14 months (level with April and February). Nevertheless, output charges rose at the slowest rate since last October.

**includes intra-eurozone trade.*

Countries ranked by Composite PMI Output Index: July

Spain	53.4	6-month low
Italy	50.3	7-month low
Germany	49.1 (flash 48.7)	4-month low
France	49.1 (flash: 49.5)	3-month high

Ireland Services will be released 6th August.

HCOB Eurozone Services PMI[®]

The **HCOB Eurozone Services PMI Business Activity Index** registered 51.9 in July, signalling a modest expansion in output across the service sector. However, this was down from 52.8 in June, and marked the third successive decrease in the index. Subsequently, this signalled a sustained cooling of growth, with the latest upturn the weakest in four months.

Restricting activity growth was a slower rise in new business. Demand for euro area services improved, albeit marginally and to the softest extent in the current five-month upturn. Sales growth was limited to domestic markets, latest data suggested, as new export business shrank at the quickest rate in five months.

Activity growth outpaced the rate of increase in new business as a result of firms' efforts to reduce backlogs of work. Indeed, outstanding business volumes fell for a third successive month in July. Employment growth was meanwhile sustained, although the rate of job creation dipped to its weakest since the start of the year.

Confidence in the outlook waned slightly at the beginning of the second half of the year, down to a six-month low and signalling a further drop-off following May's recent high.

As for prices in the service sector, latest survey data indicated an uptick in the rate of input cost inflation, although output charges increased at the weakest pace since May 2021.

Comment

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

"The eurozone's economy is growing at a snail's pace in July. Sector-wise, services is not picking up speed like it did earlier in the year, while the industrial slump has continued unabated. Because of this, the HCOB Composite Output PMI is just hovering above the expansion line. So, while the second half of the year started off pretty weak, the PMIs and the official numbers for economic growth in the second quarter were surprisingly good. Given this situation, our 0.7% growth forecast for the year is still conservative.

"You cannot miss the slowdown in the service sector. The PMI has dropped for three months straight to 51.9, companies have been more hesitant about hiring, and new business is barely ticking up. The extraordinary effects from the European Football Championships in Germany, the Olympics in France, and Taylor Swift's concert tour in Europe are winding down too. So, the service sector probably won't give us much of a boost in the second half of the year.

"There is still no relief from inflation. Sure, sales prices are climbing at the slowest rate in 38 months, and this generally applies to input costs too, but inflation is still pretty high given the weak economy. Over the past 25 years, selling prices have usually stayed flat on average when the PMI activity index was at 52.0 or lower, and historically, input prices rose much more slowly than they are now. We think this points to wage pressure caused by demographic shifts, making it harder for the ECB to hit its 2% inflation target.

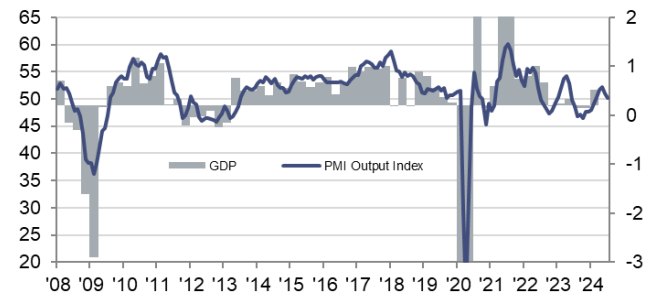
"The slump in the service sector is happening across the eurozone. Growth has slowed down in Germany, Italy, and Spain. France is the only exception, where the PMI has gone up. But even there, the sector is hardly growing at all and is therefore still lagging behind the other countries."

-Ends-

HCOB Eurozone Composite PMI Output Index
sa, >50 = growth since previous month



Composite PMI Output Index and **Gross domestic product (GDP)**
sa, >50 = growth since previous month %q/qr



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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 87% 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 83% 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.

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