

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Flash Eurozone PMI<sup>®</sup>

## Business activity decreases for first time in seven months

### Key findings:

HCOB Flash Eurozone Composite PMI Output Index<sup>(1)</sup> at 48.9 (August: 51.0). 8-month low.

HCOB Flash Eurozone Services PMI Business Activity Index<sup>(2)</sup> at 50.5 (August: 52.9). 7-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 44.5 (August: 45.8). 9-month low.

HCOB Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 44.8 (August: 45.8). 9-month low.

Data were collected 12-19 September

September saw a renewed decline in business activity in the eurozone private sector, according to provisional PMI<sup>®</sup> survey data. The fall in output was the first in seven months and was registered amid a sustained reduction in new orders. In fact, new business decreased at the sharpest pace since January. With new orders and volumes of outstanding business falling at sharper rates and business confidence at a ten-month low, companies scaled back their workforce numbers for the second month running. Meanwhile, demand weakness resulted in slower inflation of both input costs and output prices.

The reduction in overall business activity was driven by a deepening downturn in the eurozone manufacturing sector, where production decreased for the eighteenth month running and at the fastest pace in the year-to-date. Although services business activity continued to rise, the latest expansion was only marginal and the weakest since February.

After an Olympics-related boost to business activity in August, output in the French private sector returned to contraction in September, joining Germany where the pace of decline in activity was the most pronounced since February. The rest of the euro area saw output rise again at the end of the third quarter, although the pace of expansion was only modest and the softest since January.

### Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses and compiled by S&P Global, dropped below the 50.0 no-change mark for the first time in seven months during September, posting 48.9 from a reading of 51.0 in August. Latest data signalled a modest reduction in eurozone business activity during the month.

The downturn in eurozone **manufacturing** output extended to an eighteenth consecutive month, and showed signs of deepening in September. Production decreased at a marked pace that was the sharpest in 2024 so far. Reductions in manufacturing output were particularly marked in Germany and France, but the rest of the eurozone also posted a fall. Meanwhile, the eurozone **service sector** managed to eke out some growth in activity at the end of the third quarter, but the latest expansion was only marginal and the slowest since February. A renewed decline in France contrasted with continued services growth in Germany and the rest of the euro area.

Eurozone business activity fell on the back of a fourth consecutive monthly reduction in **new business**. Moreover, the latest decline in new orders was solid and the most pronounced since the opening month of the year. Services new business decreased for the first time in seven months, alongside a further contraction of manufacturing new orders. In fact, the rate of decline in manufacturing quickened for the fourth successive month.

**New export orders** (including intra-eurozone trade) also fell in September, extending the current sequence of reduction to 31

months. Furthermore, the latest contraction was the sharpest in the year-to-date.

## Outlook

**Business confidence** continued to wane, dropping for the fourth consecutive month to the lowest since November last year. Sentiment was also weaker than the series average. Sentiment was particularly lacking among manufacturers. Euro area confidence was dragged down by a pessimistic outlook in Germany, where companies predicted a fall in output for the first time in a year. Sentiment ticked slightly higher in both France and the rest of the eurozone.

## Employment

Alongside falling new orders, companies also signalled a further decrease in **backlogs of work** at the end of the third quarter. Outstanding business has fallen continuously throughout the past year-and-a-half, with the latest reduction the fastest in ten months.

Steeper reductions in new orders and backlogs of work, plus waning confidence in the outlook led companies to reduce **employment** again in September, the second month running in which this has been the case. Although modest, the drop in staffing levels was the sharpest since December 2020. Manufacturing workforce numbers were scaled back to the greatest extent in just over four years. Meanwhile, services employment continued to rise, but at the slowest pace since August 2023.

## Inventories and supply chains

As well as cutting employment, eurozone manufacturers also reduced their **purchasing activity** and holdings of both **inputs** and **finished products** during the month. In fact, all three fell more quickly in September than in August. **Suppliers' delivery times** shortened for the eighth consecutive month, but only marginally and to the least extent in the current sequence of quickening deliveries.

## Prices

A weakening demand environment contributed to softer inflationary pressures in September. The rate of **input cost** inflation slowed sharply, easing to the lowest since November 2020. Manufacturing input prices decreased for the first time in four months, while service providers posted the weakest rise in their cost burdens for three-and-a-half years.

In turn, **output prices** increased only slightly, and to the least extent since February 2021 when the current sequence of inflation began. A slower rise in services charges was accompanied by a renewed fall in manufacturing selling prices. Slower increases in output prices were seen in Germany and the rest of the eurozone, while charges in France decreased for the first time since February 2021.

## Comment

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

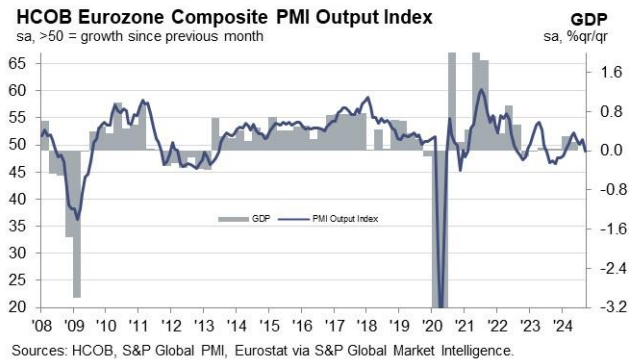
*"The eurozone is heading towards stagnation. After the Olympic effect had temporarily boosted France, the eurozone heavyweight economy, the Composite PMI fell in September to the largest extent in 15 months. The index has now dipped below the expansionary threshold. Considering the rapid decline in new orders and the order backlog, it doesn't take much imagination to foresee a further weakening of the economy."*

*Manufacturing is getting messier by the month. The recession has now dragged on for 27 months and even worsened in September. Looking ahead, the sharp drop in new orders and companies' increasingly bleak outlook for future output suggest that this dry spell is far from over."*

*The manufacturing labour market is feeling the heat. Employers are cutting jobs at the fastest pace since August 2020. At the same time, employment growth in the services sector has slowed for the fourth consecutive month and is now nearly flat. We expect the official employment figures in the eurozone, which have remained stable so far, to worsen in the coming months, though demographic trends should provide more stability than in previous downturns."*

*With the ECB closely watching the persistently high inflation in services, the news that both input and output price inflation has slowed down is certainly welcome. Add to that the deepening recession in manufacturing and the near-stagnation of the services sector, and the possibility of another rate cut in October could very well be on the table, even though this is not the expectation of the market yet."*

-Ends-



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## Note to Editors

Final September data are published on 1 October for manufacturing and 3 October for services and composite indicators.

The HCOB Eurozone PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

| Index   | Average difference | Average difference in absolute terms |
|---|--------------------|--------------------------------------|
| Composite Output Index <sup>1</sup>           | 0.0                | 0.3                                  |
| Manufacturing PMI <sup>3</sup>                | 0.0                | 0.2                                  |
| Services Business Activity Index <sup>2</sup> | 0.0                | 0.3                                  |

The Purchasing Managers' Index™ (PMI®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI® surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact [economics@spglobal.com](mailto:economics@spglobal.com).

#### Notes

1. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

#### 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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