

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

Production volumes rise for third successive month in May

Key findings:

HCOB Eurozone Manufacturing PMI at 49.4 (Apr: 49.0). 33-month high.

HCOB Eurozone Manufacturing PMI Output Index at 51.5 (Apr: 51.5). Unchanged.

Growth of eurozone manufacturing production continues in May and confidence rebounds

Data were collected 12-22 May

The euro area manufacturing sector registered another month-on-month increase in output during May, extending the current run of production growth to three months. Demand for eurozone goods also showed signs of stabilising after a sustained period of contraction, while companies were less aggressive with their cutbacks to employment, input purchasing and stocks. Regarding business sentiment, the latest HCOB survey data showed that firms' confidence rose to its greatest level since February 2022 and was above its historical average.

The **HCOB Eurozone Manufacturing PMI[®]**, a measure of the overall health of eurozone factories compiled by S&P Global, rose to 49.4 in May, from 49.0 in April, bringing it closer to the 50.0 no-change mark of stabilisation and therefore signalling a further easing of the manufacturing sector downturn. The headline index hit its highest level since August 2022 midway through the second quarter.

Of the monitored eurozone nations with Manufacturing PMI data available, the latest survey results showed improving conditions in Greece, which was the top-performing country during May, and Spain which posted a renewed expansion after three months of deterioration. While the remaining nations saw declines on the month, they were mostly marginal. The French industrial economy almost stabilised, with its Manufacturing PMI rising to a 28-month high. Germany sat at the foot of the rankings, although its goods-producing sector posted a deterioration in conditions which was among the softest seen in three years.

Euro area manufacturing output increased again in May, marking three successive monthly expansions. The rate of growth was unchanged from that seen in April and therefore the joint-quickest since March 2022. That said, the upturn was only modest overall.

Demand conditions were broadly stable midway through the second quarter. Relative to the trend over the past three years, this marked an improvement, as new orders had previously fallen sharply on average since May 2022. Sales made to customers in export* markets likewise came close to stabilising, with the respective HCOB index posting a 38-month high that was only just below the neutral 50.0 level. With sales conditions showing tentative signs of recovery, progress made on clearing backlogs of work by eurozone factories slowed in May. In fact, the rate of depletion was the weakest since June 2022.

Eurozone goods producers retrenched during May, but they did so to a lesser extent than in recent times. Purchasing activity shrank at the slowest pace seen since the current period of decline began nearly three years ago. Stocks of purchases were down by the smallest margin since April 2023, while post-production inventories declined at the weakest rate in seven months. As for factory employment, while it did continue to fall (as has now continually been the case for two years), it did so to the shallowest degree since September 2023.

Meanwhile, input costs decreased for a second month in a row during May. Furthermore, the rate of decrease was the quickest in 14 months. There was evidence of companies passing on cost savings to their clients as output charges were discounted for

the first time since February.

Looking ahead, May survey data showed a pick-up in business confidence across the euro area manufacturing sector. The level of positive sentiment rose to its highest since February 2022 and was above its long-term average.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: May

Greece	53.2	Unchanged
Spain	50.5	4-month high
France	49.8 (flash: 49.5)	28-month high
Italy	49.2	2-month low
Netherlands	49.0	4-month low
Austria	48.4	32-month high
Germany	48.3 (flash: 48.8)	2-month low

**Ireland data released 3 June*

Comment

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

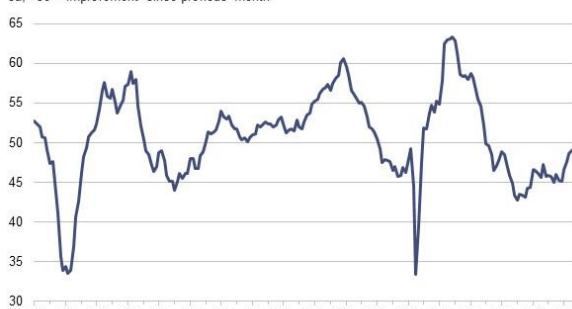
“The upward trend in the headline PMI is still continuing, pointing towards a recovery that is progressing. That is backed up by the rise in production we have seen since March. What is especially encouraging is that production has picked up across all four major eurozone economies, which really highlights how broad-based this recovery is. With output rising for three months in a row, historical patterns suggest there is a 72% chance we will see another increase in the next month. Of course, one big risk on the horizon is the possibility of the US significantly hiking tariffs on EU imports. That could definitely cast a shadow over the outlook. Still, companies are noticeably more upbeat than they were last month about producing more a year from now, which shows a certain resilience, even in the face of potential protectionist moves from across the Atlantic.

“In May, Europe’s industrial engines seemed to be running in sync. Production rose in Germany, France, Italy, and Spain, suggesting that shared factors are driving the upswing. Among them is the US tariffs, which likely prompted US buyers to place orders early. That said, France has not benefited from this trend as much as its peers. Meanwhile, lower interest rates and falling oil and gas prices are giving the entire sector some breathing room. Looking ahead, German companies are expected to outpace their European peers, thanks in large part to the new government’s expansionary fiscal policies.

“The ECB is getting some tailwinds for its expected interest rate cuts. The industrial sector has started cutting its sales prices again after two months of increases, giving the central bank some extra room to move on with its interest rate cuts. Lower energy prices, which have helped bring down input costs, are likely the main driver behind this shift.”

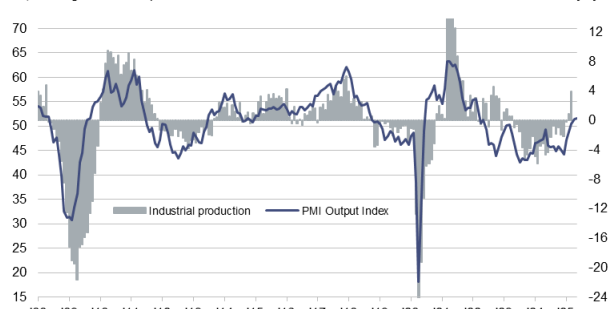
-Ends-

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



Sources: HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

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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 87% 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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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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