NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Manufacturing PMI®

Eurozone factory output rises for first time in two years

Key findings:

HCOB Eurozone Manufacturing PMI at 48.6 (Feb: 47.6). 26-month high.

HCOB Eurozone Manufacturing PMI Output Index at 50.5 (Feb: 48.9). 34-month high.

Signs of recovery emerge as production levels increase for first time since March 2023

Data were collected 12-24 March

HCOB PMI® data, compiled by S&P Global, showed the first signs of meaningful recovery in the eurozone manufacturing sector at the end of the first quarter, with the final survey results signalling a monthly rise in factory output for the first time in two years. The expansion was the fastest in almost three years, but only marginal overall and trailing the historical average. Greater production volumes were achieved despite a further (albeit slower) decline in new orders. Employment, purchasing activity and inventories all continued to decrease, while there was a slight drop in business confidence.

The **HCOB Eurozone Manufacturing PMI**, a measure of the overall health of eurozone factories compiled by S&P Global, rose for the third consecutive month in March to 48.6 (February: 47.6). While this still pointed to a deterioration in the health of the goods-producing sector, the PMI signalled a decline that was only modest overall and the softest since January 2023.

Just two of the euro area nations covered by the PMI surveys posted expansionary Manufacturing PMI readings in March – Greece and Ireland. Greece's upturn was strong overall and the fastest in almost a year, whereas Irish growth lost momentum. Industrial business conditions remained challenging elsewhere, although there were some tentative signs of recovery, particularly in the currency union's big-two economies of Germany and France as Manufacturing PMI figures here were the highest for 31 and 26 months, respectively.

A renewed increase in factory output across the euro area was the highlight of the latest HCOB PMI survey data. Although only marginal overall, the expansion was the first in two years and the most marked since May 2022. Notably, production growth was accomplished despite a further monthly fall in volumes of incoming new business. New factory orders fell in March, as they have done continuously for almost three years, but the rate of decline was the weakest over this period. Export* markets remained a drag on sales performances, with demand from foreign clients decreasing further. That said, the pace of contraction was the softest since April 2022.

The level of backlogged work shrank across the eurozone manufacturing sector in March as a rise in output came in tandem with lower new business intakes. However, the extent to which outstanding orders declined was the least pronounced since July 2022. Eurozone factories made further cuts to their workforce numbers at the end of the first quarter amid signs of excess capacity. That said, the rate of job shedding cooled from February's four-and-a-half-year record and was the softest in seven months.

Eurozone manufacturers reduced their quantities of purchases at the end of the first quarter, albeit to an extent that was the least marked in just over two-and-a-half years. Nevertheless, pre-production inventories shrank at a slightly faster pace than in February. Stocks of finished goods were also reduced, as they have done in every month for almost two years.

Meanwhile, surveyed factories in the euro area reported speedier supplier delivery times. In fact, the degree to which vendor performance improved was the greatest since June last year.

Input prices for eurozone manufacturers continued to rise in March, extending the inflationary trend seen in the year-to-date.

The pace of increase also accelerated to a seven-month high but remained muted in comparison to the survey trend. Prices charged for goods produced in the euro area rose marginally amid an intensification of cost pressures, marking the first monthly rise since August last year.

Looking ahead to the coming year, euro area manufacturers foresee greater production volumes, with growth expectations slightly above the series average. However, the level of optimism dipped to a three-month low.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: March

Greece	55.0	11-month high
Ireland	51.6	2-month low
Netherlands	49.6	2-month low
Spain	49.5	14-month low
France	48.5 (flash: 48.9)	26-month high
Germany	48.3 (flash: 48.3)	31-month high
Austria	46.9	25-month high
Italy	46.6	2-month low

Comment

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

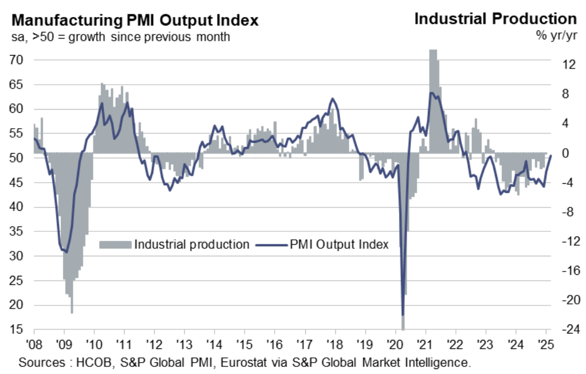
"Things are looking up. The PMI has increased for the third month in a row and the output index even surpassed the threshold for growth. A significant part of this movement may have to do with the frontloading of orders from the U.S. ahead of the tariffs, which means some backlash is to be expected in the coming months. However, given the geopolitical developments, there is also increasing speculation that the defense sector will expand significantly over the next few years, with direct and indirect positive effects on the industry.

"Inflation in manufacturing remains subdued. However, it is remarkable that input prices increased a touch stronger, even though oil and gas prices fell significantly in March. This might indicate that prices of other input factors rose. The ECB will monitor this closely, as inflation has decreased over the last few years mainly due to lower goods prices, while services inflation has remained stubbornly high. If goods prices were to increase continuously, this would complicate the inflation picture.

"The tide may be turning, albeit slowly. New orders are barely falling anymore, fewer people are being laid off, and input purchasing reductions are happening at a much slower rate than a few months ago. Given the relatively low capacity utilization in the industry, as shown by official statistics, we would expect any additional public sector spending in the defense sector and adjacent areas to be very effective in generating growth without dramatically increasing inflation.

"While the PMI has increased in the leading Euro countries Germany and France, Italy has fallen behind and the former poster child Spain is below 50 for the second month in a row. There is some hope that fiscal spending in Germany will not only increase significantly but also spread to other countries, boosting their growth rates as well. This speculation is not unjustified, but most likely to be felt only in 2026 and later."

-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 91% 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.

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.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

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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