

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Eurozone Composite PMI<sup>®</sup>

## Eurozone economy grows at fastest rate in a year as inflation cools

### Key findings:

HCOB Eurozone Composite PMI Output Index at 52.2 (Apr: 51.7). 12-month high.

HCOB Eurozone Services PMI Business Activity Index at 53.2 (Apr: 53.3). 2-month low.

Business confidence at 27-month high; inflation rates cool but remain above pre-pandemic averages

Data were collected 10-28 May 2024

The eurozone's economy recorded a third successive month of rising business activity during May, latest HCOB PMI<sup>®</sup> data compiled by S&P Global showed, with growth accelerating to a one-year high. Stronger demand conditions supported greater output and hiring, while business confidence also improved for the seventh time in the past eight months. As for trends in prices, the latest survey results showed input cost and output charge inflation rates cooling, but still running above their respective pre-pandemic averages.

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 – increased in May, as has also been the case throughout 2024 so far, to a one-year high of 52.2, from 51.7 in April. Overall, this indicated the strongest increase in euro area economic activity since May 2023, and one that was only narrowly softer than seen on average since data were first available in 1998.

Of the top-four eurozone economies, France was the outlier in May as a marginal and renewed contraction in private sector activity contrasted with growth in Germany, Spain and Italy. Spain's position as the top performer was solidified as economic growth here was sharp, quickening to a 14-month high. The bloc's largest economy, Germany, also registered a marked upturn, with output volumes rising at the fastest pace for a year. On the other hand, Italy's expansion lost momentum, cooling to its weakest since February.

Stronger demand conditions were a key reason behind May's upturn in business output across the euro area. Total new order intakes rose for a second month in succession and at the quickest rate since April 2023. Sector data highlighted a further pick-up in demand for services, while the downturn in factory orders cooled markedly from the previous month. The latest survey data suggested that improved sales performances were restricted to domestic markets, as new business received from abroad\* declined, in line with the trend since March 2022.

Confidence in the year-ahead outlook for business activity strengthened further in May after April's fractional setback. Overall, growth expectations have improved in seven of the last eight months. The level of positive sentiment was at its highest since February 2022 and well above its long-term average.

Amid stronger optimism and a sustained uplift in new business, eurozone companies raised employment for a fifth consecutive month. The rate of job creation matched that seen in April and was therefore the joint-fastest since June 2023. The service sector was again the driving force behind recruitment in May as factory workforce numbers shrank.

There remained no evidence of operating capacities becoming stretched by the recent uptick in sales, according to the HCOB PMI survey, as backlogs of work decreased for a fourteenth month running. The rate of backlog depletion was only mild, however, as the level of work-in-hand at services companies stabilised.

Meanwhile, prices gauges signalled cooling inflationary pressures across the eurozone midway through the second quarter.

However, the increase in input costs remained sharp and well above its pre-pandemic average. It was a similar picture for output prices – the rate of inflation in selling charges eased to a six-month low, but remained considerably steeper than that seen on average prior to 2020. Manufacturers continued to register reductions in both of the survey’s pricing measures, whereas services companies registered historically sharp rises.

*\*includes intra-eurozone trade.*

#### Countries ranked by Composite PMI Output Index: May

Spain	56.6	14-month high
Germany	52.4 (flash 52.2)	12-month high
Italy	52.3	3-month low
France	48.9 (flash: 49.1)	2-month low

## HCOB Eurozone Services PMI<sup>®</sup>

The **HCOB Eurozone Services PMI Business Activity Index** signalled another solid increase in activity across the largest sector of the euro area’s economy midway through the second quarter. Posting 53.2 in May, the index was broadly unchanged from April’s 11-month high of 53.3.

Another solid expansion in services activity was aided by a stronger increase in new business inflows. Demand for eurozone services rose at a solid pace that was the fastest in a year. Employment levels were subsequently lifted – the fortieth straight month that this has been the case – with the rate of job creation at its fastest since June 2023.

Service sector companies in the eurozone were able to manage their workloads efficiently, as indicated by broadly unchanged backlogs of work during May.

Pricing pressures across the eurozone services economy remained elevated, despite cooling. Rates of input cost and output charge inflation eased to their slowest for three years and seven months, respectively.

Looking ahead, expectations for services activity in the year ahead turned more positive during May. Overall, the level of business optimism was at its highest since February 2022.

#### Comment

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

*“The spectre of recession is off the table. This is thanks to the service sector, where the upswing has recently broadened. In Germany, we can now talk of an upward trend, Italy’s business activity remains solid, and Spain has improved from an already strong position. Only France has experienced a setback, slipping into slightly negative territory. Overall, the service sector is likely to ensure that the Eurozone will show positive growth again in the second quarter. This is evident from the Composite PMI and our GDP Nowcast, which takes the PMI into account.*

*“New business in the service sector is gaining momentum. The corresponding index has been rising since last November, and order intakes have been increasing for three months. This is complemented by steady employment growth and future expectations, which have brightened considerably.*

*“France appears to be an outlier among the four leading Eurozone economies with its weak economic performance. However, new business is growing slightly faster than in the previous month, bringing France more in line with the other economies. We are confident that the Eurozone’s second-largest economy will not curb the region’s overall growth during the coming months.*

*“The European Central Bank (ECB) is getting a tailwind from the PMI. The PMI price components for the service sector indicate a slight easing of inflationary pressures, making an ECB rate cut on June 6 more likely. Reduced inflation pressures are evident in both costs and selling prices. This development is expected to be explicitly mentioned in the press conference by ECB President Christine Lagarde, countering the unexpectedly sharp wage increases reported for the first quarter. However, the PMI price indices do not yet give the all-clear, as they are unusually high in the context of the rather weak economic situation.”*

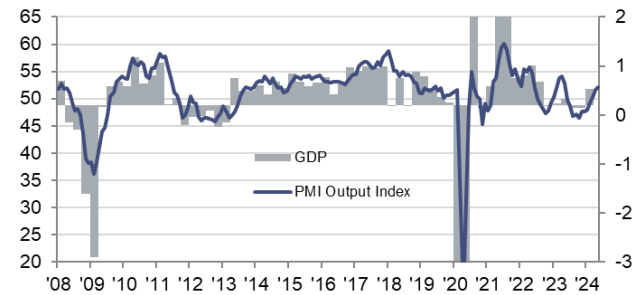
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**HCOB Eurozone Composite PMI Output Index**  
sa, >50 = growth since previous month



Sources : HCOB, S&P Global PMI

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



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

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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 85% 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 70% 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](mailto: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.

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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### 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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