

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

Output and new orders decline at softest rates since early-2023

Key findings:

HCOB Eurozone Manufacturing PMI at 46.1 (Feb: 46.5). 3-month low.

HCOB Eurozone Manufacturing PMI Output Index at 47.1 (Feb: 46.6). 11-month high.

Contractions in new orders and output cool again and delivery times shorten markedly

Data were collected 12-21 March

March HCOB PMI[®] data continued to signal contraction within the eurozone's manufacturing industry, although there were further signs of positive momentum building as the respective indices for output and new orders maintained their recent upward trajectories. Business confidence also rose to its highest level in nearly a year, but growth expectations remained relatively weak, which weighed further on factory employment.

Supply chain constraints meanwhile alleviated markedly, with delivery times recording their greatest improvement in six months. Input costs continued to fall, albeit at the slowest pace in a year, and factory gate prices were discounted more sharply.

The **HCOB Eurozone Manufacturing PMI**, a monthly measure of the overall health of eurozone factories and compiled by S&P Global, fell from 46.5 in February to a three-month low of 46.1 in March. The decrease in the survey's headline figure was driven by movements in the index's two smallest components – suppliers' delivery times and stocks of purchases – as disruption caused by the diversion of ships away from the Suez Canal abated, leading to a sharp improvement in vendor performance (which is treated as a negative cyclical indicator as it traditionally indicates less busy suppliers).

At the country level, March survey data showed further marked divergences in performance. Of the monitored eurozone constituents, Greece continued along its resilient growth path, with manufacturing conditions improving to the sharpest extent in over two years. The Greek upturn far outpaced the next-best performer, Spain, which saw another modest expansion which was only fractionally weaker than that seen in February. Italy recorded the first pick-up in conditions across its goods-producing sector for a year, while the rest of the monitored countries remained mired in contraction.

Manufacturing output within the euro area decreased in March, extending the current period of decline to exactly one year. However, the pace of contraction cooled to the weakest since April 2023. A slower downturn was also seen for new orders, with the rate of reduction easing for a fifth month in a row. Helping to curb the eurozone manufacturing demand slump was a diminished drag from international* markets as export sales fell to the weakest extent in close to two years.

Eurozone goods producers continued to reduce their purchases of inputs at the end of the first quarter, although the decline was its softest since March 2023. The latest data continued to indicate a preference for using existing pre-production stocks, as warehoused inputs fell for a fourteenth successive month.

Challenges receiving purchased items from vendors continued to ease in March, with the latest survey data signalling reduced supply chain disruption for eurozone manufacturers. Suppliers' delivery times shortened to the greatest extent since last September despite ongoing issues with ships in the Red Sea.

Meanwhile, eurozone goods producers made further inroads into their backlogs of work. Although the rate at which incomplete orders fell was its slowest since February 2023, it remained steep overall. Eurozone factories remained steadfast with job shedding, in line with the trend since last June, although the decrease in workforce numbers was moderate and unchanged from those seen so far this year.

Eurozone manufacturers recorded yet another month of falling input costs in March. The reduction was solid, but the least marked in a year. Nevertheless, prices charged for goods were discounted more heavily. Overall, the decrease in output prices was the quickest since last November.

Looking ahead, the latest survey data highlighted a pick-up in eurozone manufacturers' growth expectations for the next 12 months. Optimism towards the outlook for production was at its strongest since April 2023, but still slightly below its long-term average.

**Includes intra-eurozone trade*

Countries ranked by Manufacturing PMI: March

Greece	56.9	25-month high
Spain	51.4	2-month low
Italy	50.4	12-month high
Netherlands	49.7	19-month high
Ireland	49.6	2-month low
France	46.2 (flash: 45.8)	2-month low
Austria	42.2	3-month low
Germany	41.9 (flash: 41.6)	5-month low

Comment

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

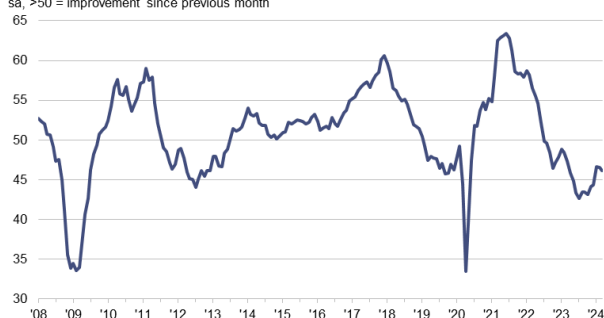
"It's a bit disheartening: over the last eight months, the manufacturing industry has been gradually climbing the Output PMI ladder, but it still finds itself on the basement staircase. However, progress to the next floor has yet to materialise, largely owing to the underperformance of the German and French industries. Given this, it comes as no surprise that our GDP nowcast model, incorporating PMI data, predicts a continuation of the recession in the manufacturing sector of the eurozone.

"The eurozone's manufacturing sector usually runs on several cylinders, mainly the Euro-4 countries of Germany, France, Italy and Spain. Together they account for three quarters of the eurozone's manufacturing industry. We currently have the unusual situation that two cylinders, Germany and France, are more or less out of action. Italy and Spain, on the other hand, started to pick up again in March and February respectively, according to the PMI. So far, however, this is not enough to bring the eurozone as a whole back into growth mode. A sustainable economic turnaround can only be expected once all cylinders are back in motion.

"In the first quarter, the pace of the decline in incoming orders slowed considerably. However, there are still significantly fewer orders coming in than in the previous month. It is therefore to be expected that the industry is on the verge of surpassing the longest contraction spell for incoming new orders in the survey history, which was 25 months during the euro crisis in 2011 to 2013. This does not speak for a quick turnaround in activity."

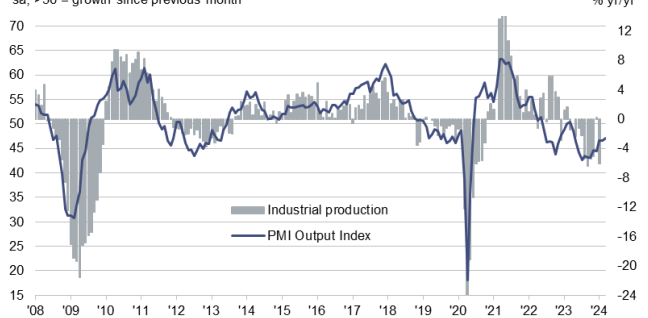
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HCOB Eurozone Manufacturing PMI
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

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



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

Contact

Hamburg Commercial Bank AG

Dr. Cyrus de la Rubia
Chief Economist
T +49-(0)160-9018-0792
cyrus.delarubia@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Chris Williamson
Chief Business Economist
Telephone +44-207-260-2329
chris.williamson@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

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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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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