

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

Euro area manufacturing production falls for first time since January

Key findings:

HCOB Eurozone Manufacturing PMI at 45.8 (Mar: 47.3). 35-month low

HCOB Eurozone Manufacturing PMI Output Index at 48.5 (Mar: 50.4). 4-month low

Inflationary pressure cools as supply chains improve

Data were collected 10-21 April

The eurozone manufacturing sector saw operating conditions worsen to a greater extent at the start of the second quarter, latest HCOB survey data compiled by S&P Global showed, as production volumes fell for the first time since the beginning of the year. Additionally, new factory orders across the euro area fell at the sharpest pace in four months as the downturn in demand intensified.

Meanwhile, eurozone manufacturers recorded a second successive month-on-month decrease in their input costs. The decrease in operating expenses was the fastest in almost three years, with rapidly improving supply conditions helping to cool inflationary pressures. Indeed, another survey-record shortening in average input delivery times was registered in April.

The **HCOB Eurozone Manufacturing PMI[®]**, compiled by S&P Global, posted 45.8 during April, down from 47.3 in March and below the 50.0 no-change mark that separates growth from contraction for a tenth straight month. The headline figure also signalled the fastest deterioration in manufacturing sector conditions since May 2020, during the first wave of COVID-19 lockdowns.

Of the eight eurozone countries monitored by the survey (which account for an estimated 89% of total manufacturing activity), seven posted a sub-50.0 Manufacturing PMI reading in April. The lowest was in Austria (42.0), although this primarily reflected a considerable downward influence from the Suppliers' Delivery Times Index reaching a fresh survey high. This was also the case in Germany (44.5), the second-weakest performer in April. Greece (52.4) was the only monitored euro area constituent to see an expansion during the latest survey period.

Eurozone manufacturers recorded a renewed decrease in output during April, contrasting with back-to-back expansions in the two previous survey periods. The decrease was modest overall, but the quickest since December last year. Driving production levels lower was a faster deterioration in demand conditions at the start of the second quarter. New orders fell for the twelfth month running, with the rate of decline accelerating since March to its quickest in four months. According to panel members, customer hesitancy and high client inventory levels restricted new business intakes. Demand from international markets¹ also dipped again in April, with the decrease in new export orders also quickening.

There was clear evidence of spare capacity across the euro area manufacturing sector during April, with backlogs of work falling for an eleventh consecutive month and at the steepest rate since last November. With factory new orders decreasing, purchasing activity continued to fall in April as firms responded to reduced production requirements. The decline quickened markedly since March and was the strongest for five months.

With manufacturers cutting back their buying more aggressively in April, capacity at vendors feeding into the euro area was freed up, facilitating speedier deliveries. Supplier delivery times shortened to the greatest extent since the survey began in 1997, surpassing the previous record set only in March. Amid improved supply conditions and persistent purchasing cutbacks, pre-

production inventories across the euro area fell for a third month in succession during the latest survey period. The rate of depletion was the strongest since January 2021.

According to surveyed companies, quicker delivery times reflected greater availability of raw materials, with reduced competition across the market also boosting supply. Indeed, greater balance between supply and demand drove manufacturers' costs lower during April for the second month running, with firms often commenting on successful price negotiations with vendors. The decrease in average input costs was marked and the quickest for nearly three years. Meanwhile, factory gate charges rose, albeit to the weakest extent since November 2020.

Looking ahead, eurozone manufacturers were optimistic of growth over the next 12 months, with confidence in the outlook strengthening slightly since March. Surveyed companies also expanded their workforce numbers for the twenty-seventh successive month, although the rate of job creation eased to the slowest since February 2021.

¹ Includes intra-eurozone trade

Countries ranked by Manufacturing PMI: April

| | | |
|-------------|--------------------|--------------|
| Greece | 52.4 | 2-month low |
| Spain | 49.0 | 3-month low |
| Ireland | 48.6 | 35-month low |
| Italy | 46.8 | 6-month low |
| France | 45.6 (flash: 45.5) | 35-month low |
| Netherlands | 44.9 | 35-month low |
| Germany | 44.5 (flash: 44.0) | 35-month low |
| Austria | 42.0 | 35-month low |

Comment

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

"In the Eurozone, according to the HCOB PMI Output Index, manufacturing output fell in April. This decline has been fairly broad-based across the eurozone, with regional PMI indices in France and Italy also showing a drop in output, while output in Germany and Spain was nearly stagnant. This weakness likely has to do with the fact that many companies built up massive inventories in the face of long-strained supply chains and are now finding that they did a bit too much of a good thing.

"On the one hand, the renewed significant shortening of delivery times is a sign of supply-chain normalization, but together with some other indicators it must also be interpreted as weakness in demand. This fits in with the continued decline in new orders, including those from abroad. The volume of purchases made by companies also points in the direction of declining demand and production.

"If only the prices of goods played a role in inflation, then things are going in the right direction for the European Central Bank. This is because, according to the HCOB PMI survey, the momentum of selling price increases has slowed sharply. In addition, input prices again fell significantly. Nevertheless, central bankers have no reason to relax. That's because both the PMI flash services price data for April and the Eurostat data available through March for services inflation continue to reflect significant price pressures.

"The future business outlook was somewhat more upbeat in April. This may come as a surprise given the decline in new orders. However, according to Eurostat, order backlogs in the four major euro countries remain near historic highs, supporting surveyed companies' view that their production should not slump in the short term."

-Ends-

HCOB Eurozone Manufacturing PMI

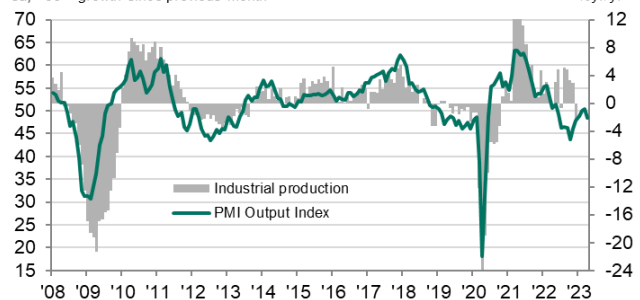
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global.

Manufacturing PMI Output Index

sa, >50 = growth since previous month



Sources: HCOB, S&P Global, Eurostat.

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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 89% 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@ihsmarkit.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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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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