NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Eurozone Composite PMI®

Euro area economy returns to growth for first time since May 2023

Key findings:

HCOB Eurozone Composite PMI Output Index at 50.3 (Feb: 49.2). 10-month high.

HCOB Eurozone Services PMI Business Activity Index at 51.5 (Feb: 50.2). 9-month high.

Growth expectations at most optimistic since eve of Russia's invasion of Ukraine in February 2022

Data were collected 12-25 March 2024

The euro area economy moved back into expansion territory at the end of the first quarter, halting a sequence of contraction stretching back to June last year, according to the latest HCOB PMI® survey. Renewed growth in business activity was aided by a stabilisation of demand and continued efforts to clear backlogs of work, underlying data showed. A third successive monthly gain in net euro area employment was also recorded amid a continued resurgence in business confidence. Expectations for business activity were at their most optimistic since February 2022 during March.

An easing of inflationary pressures was registered at the end of the first quarter. That said, increases in both input costs and output charges were above their 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, rose to a ten-month high of 50.3 in March, from 49.2 in February and crucially, above the 50.0 no-change mark for the first time since May last year. As a result, this signalled a return to expansion for the eurozone's private sector economy. However, March's upturn was only marginal overall as a sustained contraction in manufacturing sector output almost cancelled out the modest recovery in services activity.

Of note was the variation in performance by euro area constituents during March. While the single currency union achieved growth as a whole, this was driven by the smaller of the five nations covered by both manufacturing and services data. Spain and Italy provided the greatest boosts, with their growth rates accelerating to the strongest for nearly a year. Combined with a solid expansion in the Irish economy, these upturns more than offset sustained (but weaker) contractions in output across the two largest economies of the eurozone, Germany and France.

While the return to growth across the euro area was a positive finding from the March HCOB PMI survey, underlying data revealed still-subdued demand conditions. That said, a stabilisation of company order books ended a nine-month sequence of decline and represented a marked turnaround from the steep month-on-month contractions in the final quarter of 2023. Export* sales remained a drag, as they fell in March for a twenty-fifth month in a row, but the rate of decline eased to its weakest in close to a year.

With new business still outside of expansion territory, higher activity levels enabled eurozone private sector companies to make further inroads into their backlogs of work in March. The rate of depletion cooled, however, to its softest since last May.

Fewer volumes of incomplete orders implied a greater level of spare capacity across the eurozone economy, but March survey data nevertheless signalled a third successive monthly rise in employment. The rate of job creation weakened slightly from February's seven-month high but was broadly level with its survey average. Four of the monitored euro area countries registered higher workforce numbers, the exception being Germany.

Supporting employment growth was a further uptick in business confidence. In fact, the outlook for business activity over the next 12 months was at its most optimistic since the eve of Russia's invasion of Ukraine in February 2022. Sub-sector data showed stronger sentiment at both manufacturers and service providers.

As for pricing trends, March survey data signalled a broad-based easing of inflationary pressures as rates of increase in operating costs and selling charges fell. After back-to-back accelerations, input price inflation eased at the end of the first quarter. A slower uptick in output charges likewise ended a four-month sequence of quickening inflation. That said, price pressures remained stronger than seen on average prior to the pandemic.

**includes intra-eurozone trade.*

Countries ranked by Composite PMI Output Index: March

Spain	55.3	11-month high
Italy	53.5	11-month high
Ireland	53.2	2-month low
France	48.3 (flash: 47.7)	10-month high
Germany	47.7 (flash 47.4)	4-month high

HCOB Eurozone Services PMI®

The **HCOB Eurozone Services PMI Business Activity Index** showed further progression of the euro area's service sector recovery in March as it moved deeper into expansion territory. Rising to 51.5, from 50.2 in February, the index signalled a second successive monthly increase in services output, and one that was the strongest since last June.

The faster upturn in business activity was accompanied by a rejuvenation of demand. For the first time in nine months, sales received by services companies grew during March. The improvement in new orders was confined to domestic markets, however, as new export business continued to fall (albeit only marginally).

The robust performance of the service sector jobs market was sustained in March as employment levels increased for a thirty-eighth consecutive month. The rate of job creation slowed but remained above its survey average. Outstanding business declined again, although the rate of depletion was the slowest since the current sequence of contraction started last July.

Meanwhile, input cost inflation across the service sector dipped to an eight-month low during March. The pace of increase remained steep overall, however. Similarly, the softest rise in output charges since last November was recorded.

The outlook for business activity over the next 12 months improved for a fourth month in a row. Subsequently, The HCOB Future Activity Index reached its highest level since February 2022 and exceeded its rolling survey average for the first time in over two years.

Comment

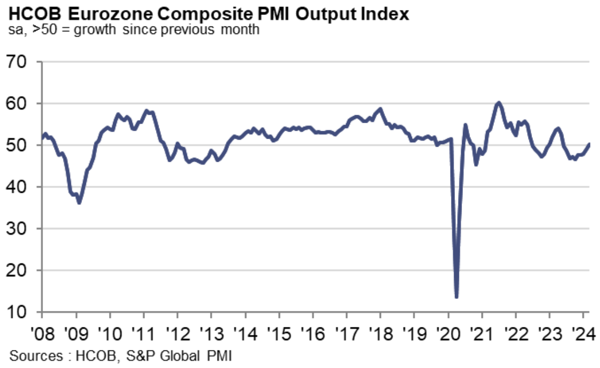
Commenting on the PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

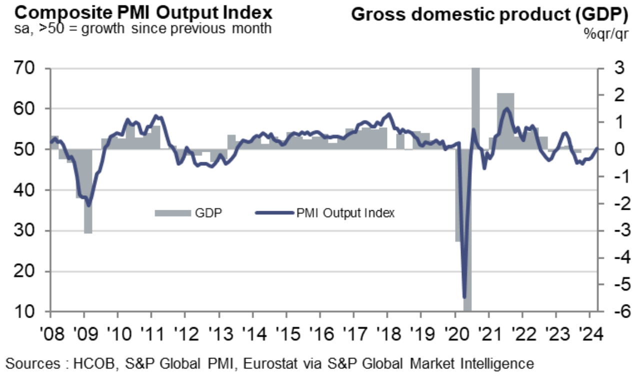
"Finally some good news again. The service sector in the eurozone is gradually finding its footing, with activity stabilizing in February and showing signs of moderate growth in March. It's particularly encouraging to note that new business has resumed growth after an eight-month dry spell. This favourable trend is expected to persist, fuelled by wage growth outpacing inflation, thus bolstering the purchasing power of households. Consequently, individuals are more inclined to dine out, travel, and spend their money on other services. However, a full-fledged boom is not on the horizon.

"Service providers have not stopped hiring more staff despite the temporary weakness of the economy. Over the past two months, the increase in employment has been notably robust, signalling a high degree of optimism within the sector. In fact, business expectations have surged once again, rising to the highest level in over two years to above the long-term average.

"Service providers are still in a position to pass on at least some of the rise in input costs to customers in the form of higher prices. In March, however, the pace of inflation slowed slightly both in terms of costs and sales prices. This development is likely to be welcomed by the European Central Bank. Nonetheless, it's premature to discern a clear trend from this data, and as such, we are maintaining our forecast that interest rates will not be cut in April but rather in June."

-Ends-





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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 83% 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 77% 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. *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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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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