

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Flash Eurozone PMI®

## Eurozone economic recovery gathers pace as new orders rise at fastest rate in over a year

### Key findings:

HCOB Flash Eurozone Composite PMI Output Index<sup>(1)</sup> at 52.3 (April: 51.7). 12-month high.

HCOB Flash Eurozone Services PMI Business Activity Index<sup>(2)</sup> at 53.3 (April: 53.3). Unchanged pace of growth.

HCOB Flash Eurozone Manufacturing PMI Output Index<sup>(4)</sup> at 49.6 (April: 47.3). 14-month high.

HCOB Flash Eurozone Manufacturing PMI<sup>(3)</sup> at 47.4 (April: 45.7). 15-month high.

Data were collected 10-21 May

The economic recovery in the eurozone gained momentum in May, according to provisional PMI® survey data. Faster increases in business activity, new orders and employment were all recorded midway through the second quarter, while business confidence hit a 27-month high. Meanwhile, rates of inflation of both input costs and output prices softened from April, but remained above pre-pandemic averages in each case.

Growth continued to be centred on the services sector, but manufacturing production neared stabilisation in May, falling only marginally and to the least extent in the current 14-month period of contraction.

Sharper increases in business activity were recorded in Germany and the currency bloc excluding France and Germany, but France saw output decrease following a slight rise in the previous month.

### Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses and compiled by S&P Global, posted 52.3 in May, up from 51.7 in April and signalled an increase in business activity across the euro area private sector for the third consecutive month. This period of renewed growth follows a sustained sequence of decline through the second half of 2023 running into 2024. Moreover, the rate of expansion was solid, quickening for the second month running to the fastest for a year.

The overall expansion in output was again driven by the **service sector**, where activity was up for a fourth consecutive month. The pace of growth was unchanged on that seen in April. Meanwhile, **manufacturing production** continued to fall, extending the current sequence of decline to 14 months. The rate of contraction was only marginal, however, easing further to the weakest in this period of reduction.

New order growth also strengthened in May, driven by a solid expansion in the service sector where the latest increase hit a 13-month high. Manufacturing new business continued to fall, albeit to the least extent for two years. The rise in overall new orders was limited by demand weakness in international markets. New export orders decreased for the twenty-seventh successive month, but here too the pace of decline softened and was only modest.

There were varying trends across the different geographies in May. **Germany** saw output rise for a second month running, with the pace of growth gathering strength and hitting a one-year high. On the other hand, business activity in **France** took a step back, falling following a rise in the previous month. The strongest expansion was again seen in the **rest of the eurozone**, where output increased at a marked pace that was the fastest since April 2023.

## Employment

As has been the case throughout 2024 so far, **employment** increased in May as firms responded to new order growth by expanding their workforce numbers. The pace of job creation was modest, but quickened to the most marked since June last year. In line with the picture for output and new orders, the rise in staffing levels was centred on the services sector, with manufacturing employment continuing to fall. The overall expansion of capacity enabled companies to keep on top of workloads, with backlogs of work depleted for the fourteenth consecutive month. The pace of reduction was slightly stronger than that seen in April.

## Inventories and supply chains

With output and new orders in the manufacturing sector continuing to fall in May, firms in the euro area continued to scale back their **purchasing activity** midway through the second quarter. **Stocks of both purchases and finished goods** were also reduced, and to greater extents than was the case in April. A lack of pressure on supply chains meant that **suppliers' delivery times** continued to shorten, extending the current sequence of improving vendor performance to four months.

## Prices

Rates of inflation of both input costs and output prices eased in May, but in each case remained above the pre-pandemic average.

**Input costs** were up sharply again, with the pace of inflation only slightly softer than seen in April. Once again, the service sector was the principal source of inflationary pressure, with input costs rising rapidly. That said, the rate of services input price inflation eased to a three-year low. Meanwhile, manufacturing input costs decreased slightly again, though to the least marked extent in the current 15-month sequence of decline.

The pace of **output price** inflation also softened in May, and was the weakest since November 2023. A slower increase in services charges was partially offset by a weaker reduction in manufacturing selling prices. Softer output price inflation was seen across Germany, France and the rest of the eurozone.

## Outlook

Eurozone companies were more optimistic regarding the future path for business activity in May, with **confidence** the highest since February 2022. Sentiment was also higher than the series average as the economic recovery gained momentum. Stronger optimism was seen across both the manufacturing and services sectors. A jump in optimism in Germany helped to drive up overall confidence, while a renewed fall in output in France dented sentiment there. Confidence in the 12-month outlook for activity was little changed across the rest of the euro area.

## Comment

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

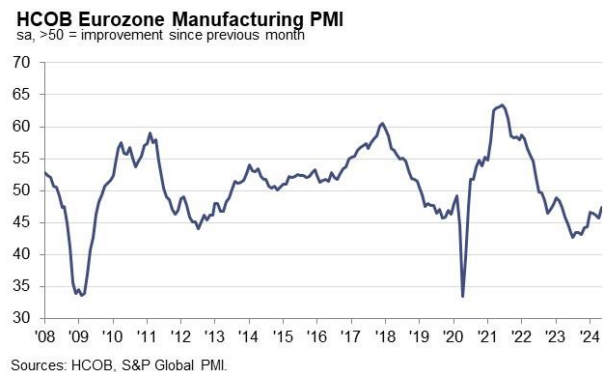
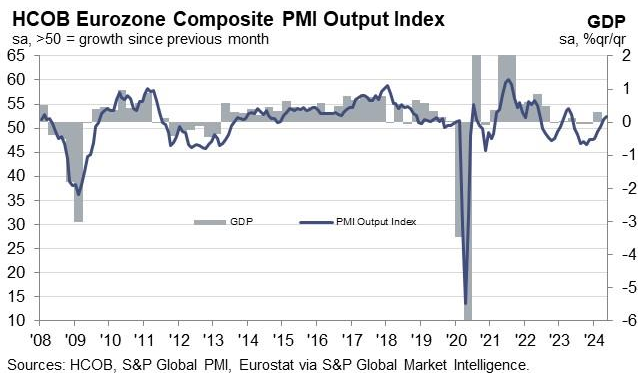
*"This looks as good as it could be. The PMI composite for May indicates growth for three months straight and that the eurozone's economy is gathering further strength. Encouragingly, new orders are growing at a healthy rate while the companies' confidence is reflected by a steady hiring pace. This time, there is also some good news for the European Central Bank (ECB) as the rates of inflation for input and output prices in the services sector has softened compared to the month before. This will be supportive for the apparent stance of the ECB to cut rates at the meeting on June 6. However, the better inflation outlook will be most probably not be enough for the central bank to announce that further rate cuts will follow suit.*

*"We are heading in the right direction. Considering the PMI numbers in our GDP nowcast, the Eurozone will probably grow at a rate of 0.3% during the second quarter, putting aside the spectre of recession. Growth is mainly driven by the service sector whose expansion was extended to four months. Manufacturing acts less and less as a stumbling block for the economy and optimism about future output has increased further in this sector. With all this in place it seems plausible that GDP growth of almost 1% could be reached this year, and there is even some upward risk.*

*"Looking for the fly in the ointment? Well, you will find plenty of them, especially in the manufacturing sector. While manufacturers have almost stopped reducing their production levels, inventories of purchased goods and final goods continue to shrink at even faster paces than during the last month. And while the indices for new orders, employment and backlogs of work have all increased, they are still well below the expansionary threshold. Thus, according to our Nowcast calculation, which considers the PMI indices, the recession in the manufacturing sector remains present in the current quarter.*

*“The German economy is outshining the French one, driven by a robustly growing services sector which is shrinking in France. The manufacturing sector’s development is less severe in France, but as in Germany the sector has not yet escaped recession. While people love to compare the performance of economies, finger pointing to the possible weaknesses and strengths, the good news here is that overall, both economies move in tandem. This means that there are good chances for France to catch up eventually in the services sector which would put eurozone growth on a sounder footing.”*

-Ends-



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## Note to Editors

Final May data are published on 3 June for manufacturing and 5 June for services and composite indicators.

The HCOB Eurozone PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Composite Output Index <sup>1</sup>	0.0	0.3
Manufacturing PMI <sup>3</sup>	0.0	0.2
Services Business Activity Index <sup>2</sup>	0.0	0.3

The Purchasing Managers' Index™ (PMI®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI® surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact [economics@spglobal.com](mailto:economics@spglobal.com).

#### Notes

1. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

#### 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.

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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.

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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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