PMI® by S&P Global | Hamburg Commercial Bank

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Eurozone PMI®

Eurozone recovery gains momentum in April, but price pressures also revived

Key findings:

HCOB Flash Eurozone Composite PMI Output Index(1) at 51.4 (March: 50.3). 11-month high.

HCOB Flash Eurozone Services PMI Business Activity Index(2) at 52.9 (March: 51.5). 11-month high.

HCOB Flash Eurozone Manufacturing PMI Output Index(4) at 47.3 (March: 47.1). 12-month high.

HCOB Flash Eurozone Manufacturing PMI(3) at 45.6 (March: 46.1). 4-month low.

Data were collected 11-19 April

Business activity in the euro area grew at the fastest rate for nearly a year in April, according to provisional PMI® survey data. The improvement indicates that the region continues to pull out of the recent downturn, albeit growing only modestly amid divergent sector performances. Increasingly robust service sector growth was nevertheless accompanied by signs of a further moderation of the manufacturing downturn. Jobs growth also accelerated as business confidence remained elevated by recent standards.

Especially solid growth outside of France and Germany was again reported, but Germany also returned to growth in April and France came close to stabilising.

However, price pressures also picked up across the eurozone alongside the improvement in output and hiring, often linked to higher wage bills. Input costs and average selling prices both rose at faster rates, reflecting stubbornly elevated price pressures in the service sector.

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, rose from 50.3 in March to 51.4 in April. The latest reading signals a second successive month of rising output after a continual decline over the nine months to February. The April expansion was the strongest since May of last year, though was only modest and well below the pace seen this time last year.

Although **service sector output** grew for a third successive month, with the rate of increase having gained momentum to register the fastest rise for 11 months, **manufacturing output** fell across the eurozone for a thirteenth straight month in April to act as a drag on the overall economy. The rate of decline in factory output eased, however, to the weakest for 12 months.

Sector variations were driven by underlying demand conditions. New orders for services rose in April at the fastest pace since May of last year, up for a second straight month, but new orders for manufactured goods fell at an increased rate. The latter have now fallen continually for two years.

By country, **Germany** notably edged back into growth territory for the first time in ten months as resurgent growth in the service sector was accompanied by a cooling of the manufacturing downturn. **France** meanwhile reported only a marginal contraction of output, the weakest recorded over the past 11 months, as the first rise in service sector activity since last May helped offset a persistent manufacturing decline. It was the **rest of the region** which collectively saw the best performance, however, despite growth slowing slightly, as output rose for a fourth consecutive month in April in response to robust growth in the service sector and near-stable manufacturing output.

Employment

Employment increased across the eurozone for a fourth month in a row in April after two months of marginal declines at the end of 2023. The rate of net job creation accelerated to the highest since last June. A ten-month high rate of employment growth in the service sector drove the increase, though the pace of headcount reduction in the manufacturing sector also eased to the slowest in seven months. Jobs growth was recorded in France, with the rate of increase reaching a nine-month high, alongside a marginal return to growth in Germany and sustained solid hiring in the rest of the region.

Supply chains

Having briefly lengthened at the start of the year in response to disruptions to Red Sea shipping, manufacturing supplier delivery times shortened for a third successive month in April, improving to the greatest degree since last August. In addition to fewer shipping delays, pressure was taken off supply chains from a further steep reduction in the purchasing of inputs by eurozone manufacturers.

Prices

Price pressures intensified slightly in April, remaining elevated by pre-pandemic standards, with higher rates of inflation seen for both input costs and average selling prices.

Average **input costs** across the goods and service sectors re-accelerated in April after having cooled in March, recording the joint-fastest increase seen over the past year. Although manufacturing input prices continued to fall, helped by improved supply conditions, the decline was the smallest recorded over the past 14 months. The rate of service sector cost inflation meanwhile edged up, albeit remaining below the recent highs seen at the start of the year, with companies often reporting higher wage rates as a key inflation driver alongside greater energy and fuel costs. Especially strong cost growth was seen in the German service sector.

Selling price inflation likewise accelerated in April, reviving from March's four-month low to run well-above the pre-pandemic long-run average and hint at stubborn inflation pressures. While rates charged by manufacturers fell for a twelfth month in a row, prices levied by service providers rose at an increased rate, continuing to climb at a strong pace by historical standards. Selling price inflation picked up in Germany, France and across the rest of the region, with the latter registering the steepest rate of increase.

Outlook

Looking ahead, business expectations about the coming 12 months cooled slightly compared to March but was the second-highest recorded over the past 14 months. A pull-back in service sector confidence, to a three-month low, contrasted with improved optimism in the manufacturing sector, where output expectations rose their highest since February of last year. While sentiment nevertheless remained relatively more upbeat in the service sector compared to manufacturing, the gap is now the narrowest for just over two years.

Recent months have seen business confidence improve in response to the expectation of lower interest rates, a moderating cost of living squeeze and signs of recovering household and corporate demand. Manufacturing has also been buoyed by signs of the global inventory cycle starting to become more supportive to demand. However, geopolitical uncertainty and financial market volatility subdued optimism about the year ahead outlook at some firms in April.

Comment

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

"The eurozone got off to a good start in the second quarter. The Composite HCOB Flash PMI took a significant step into expansionary territory. This was propelled by the services sector, where activity has gathered further steam. Considering various factors including the HCOB PMIs, our GDP forecast suggests a 0.3% expansion in the second quarter, matching the growth rate seen in the first quarter, both measured against the preceding quarter.

"Several factors indicate that the recovery in the private service sector, which dominates the entire economy, is poised to be sustained. Firstly, there has been a positive momentum in new business for the past two months, which translates also into a bolder hiring policy. Secondly, the higher increases in output prices are not only a response to the faster rise in input costs but also reflect the confidence of service providers in setting prices. Lastly, the recovery is occurring simultaneously in the two most significant economies of the Eurozone, Germany and France. This suggests the presence of common factors such as lower inflation and higher wages, which bolster purchasing power and contribute to the resurgence in the service sector.

"The PMI figures are poised to test the ECB's willingness to cut interest rates in June. Accelerated increases in input costs, likely driven not only by higher oil prices but also, more concerningly, by higher wages, are a cause for scrutiny. Concurrently, service sector companies have raised their prices at a faster rate than in March, fuelling expectations that services inflation will persist. Despite these factors, we expect the ECB to cut rates in June. However, we doubt that the

central bank will adopt a "pragmatic speed", as suggested by François Villeroy de Galhau from the ECB. Instead, we expect a more cautious approach.

"The best that can be said about the manufacturing sector in the eurozone is that production fell at the slowest rate for a year in April and that job losses have eased somewhat. Otherwise, the picture remains rather bleak, with new business continuing to decline rapidly, along with order backlogs. Weak demand for industrial products is also evident in the sharp decrease in the volume of purchased inputs and the absence of a turnaround in the inventory cycle. Although we anticipate a recovery in the manufacturing sector by the middle of the year, it's essential to consider structural factors influencing the sector. China, whose companies are increasingly becoming a competitor for local industrial companies, particularly in the area of high-tech products, is likely to be a significant factor in this regard."

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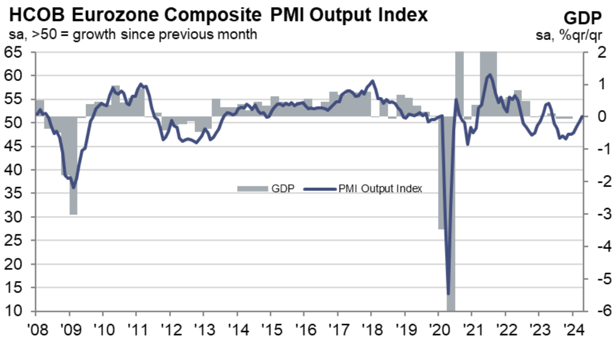
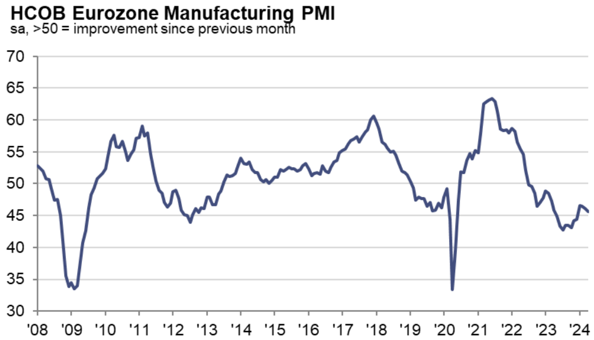


Sources: HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence.



Sources: HCOB, S&P Global PMI.

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Note to Editors

Final April data are published on 2 May for manufacturing and 6 May 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[1]	0.0	0.3
Manufacturing PMI[3]	0.0	0.2
Services Business Activity Index[2]	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.

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.

S&P Global (NYSE: SPGI)
S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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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