

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Eurozone Composite PMI[®]

Eurozone economy grows at fastest pace in three months

Key findings:

HCOB Eurozone Composite PMI Output Index at 51.0 (Jul: 50.2). 3-month high.

HCOB Eurozone Services PMI Business Activity Index at 52.9 (Jul: 51.9). 3-month high.

Input cost inflation eases to 2024 low, but rate of increase in output charges picks up

Data were collected 12-27 August 2024

The eurozone's private sector economy expanded at its strongest pace since May during August, driven by a quicker upturn in services activity. Although this marked a sixth successive month of growth – the longest sequence in over two years – underlying survey data nevertheless highlighted economic fragility across the euro area as new orders, employment and business confidence deteriorated.

August survey data did however signal a marked easing of cost pressures, with input prices rising at the softest pace in 2024 so far and at a pace that was broadly in line with its pre-pandemic average. However, output charges rose to the greatest extent since April.

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 – increased for the first time since May to a three-month high of 51.0 in August, from 50.2 in July. Rising further above the 50.0 no-change mark, the latest figure therefore pointed to a re-acceleration of growth, although the overall pace of expansion that was implied was only marginal overall.

Growth in the euro area was fuelled entirely by services activity, which rose at the fastest rate in three months. Manufacturing production continued to shrink, extending the current sequence of decline in factory output to 17 months.

A major force behind August's accelerated euro area expansion was France, where private sector output rose at the quickest rate since May 2022. Despite this, the eurozone's second-largest economy still ranked behind Spain (the best-performing nation for which Composite PMI data are available), which posted a solid and slightly stronger upturn. Improved growth rates were also seen in Ireland and Italy, while Germany bucked the trend by posting a second successive decline in private sector business activity.

Although output growth quickened across the single currency union in August, latest HCOB PMI survey data revealed a further modest decrease in the volume of incoming new business received by private sector firms. Weighing on demand was a sharp and steeper deterioration in sales across the manufacturing sector, more than offsetting a slightly quicker improvement in service sector new orders.

Export* business presented a headwind to sales performance in August. The latest survey data showed that new orders received from non-domestic clients shrank at the quickest rate since January. Manufacturers and service providers both recorded weaker new export business midway through the third quarter.

Capacity pressures continued to dwindle across the eurozone's private sector, as evidenced by a seventeenth successive monthly reduction in backlogs of work. Additionally, the pace at which outstanding business fell was the quickest since February.

For the first time since the start of 2021, the seasonally adjusted HCOB Employment Index recorded below the critical 50.0 threshold, signalling a reduction to workforce numbers across the euro area private sector. That said, the decline was only

fractional overall as sustained (albeit softer) job creation across the service sector was only narrowly cancelled out by headcount reductions across the manufacturing industry.

Nevertheless, renewed job cutting came amid a further deterioration in business confidence – the third in as many months. Although eurozone firms anticipate output to rise over the coming 12 months, the degree of optimism slipped to its lowest in the year-to-date.

Meanwhile, the latest HCOB PMI survey revealed a marked cooling of input price inflation, with overall operating costs rising at a pace that was the weakest in 2024 so far and broadly aligned with its pre-pandemic average. There was a particularly marked easing of cost pressures across the service sector. However, prices charged for euro area goods and services rose at the quickest pace since April.

**includes intra-eurozone trade.*

Countries ranked by Composite PMI Output Index: August

Spain	53.5	2-month high
France	53.1 (flash: 52.7)	27-month high
Ireland	52.6	5-month high
Italy	50.8	2-month high
Germany	48.4 (flash 48.5)	5-month low

HCOB Eurozone Services PMI[®]

The **HCOB Eurozone Services PMI Business Activity Index** signalled a quicker pace of expansion in output across the single currency union's services economy midway through the third quarter. Increasing to 52.9 in August, from 51.9 in July, the index was at its highest level in three months and broadly in line with its historical average since 1998 (52.7).

Stronger activity was supported by a concurrent rise in new business inflows. The upturn in sales was slightly stronger than that seen in the previous survey period, but only mild overall. Demand growth was reflective of improved domestic market conditions, as new export business shrank at the quickest rate since February.

Outstanding order volumes fell for a fourth month in succession during August. The rate of backlog depletion also accelerated to its fastest for six months. A faster workload completion rate came amid a further uplift in employment levels. The rate of job creation was the softest in 2024 so far, however.

Input prices faced by eurozone service providers rose again in August, albeit to the weakest extent in over three years. Despite cost pressures abating, prices charged increased at the strongest rate since May.

Comment

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

“The Olympic Games in Paris brought plenty of victories, and the French service sector was certainly among the winners. The latter helped drive accelerated growth in the eurozone's service sector for August. But the big question is whether this boost is sustainable. The positive vibes from the Games and the ongoing Paralympics might carry through into September in part, but we expect the slowdown in growth, which started in May, to likely resume in the coming months.

“As for the ECB, they are probably breathing a small sigh of relief thanks to the latest prices data. Although service providers nudged up their prices slightly more in August compared to July, overall cost pressures, especially those driven by wages, have eased. This will likely weigh more heavily in the ECB's considerations. Coupled with the favourable inflation numbers Eurostat recently released for August, the ECB is likely to see this as further justification for cutting interest rates at their September 12 meeting.

“The ‘Olympic effect’ is also set to ensure that the eurozone's GDP will show growth in the third quarter. It's encouraging that the service sector is showing growth across the board geographically, with the HCOB PMI above 50 points in all four major eurozone economies. However, it's a tale of two sectors: while services are driving the growth, the manufacturing sector remains stuck in recession, with conditions worsening in several countries, including Germany and France.”

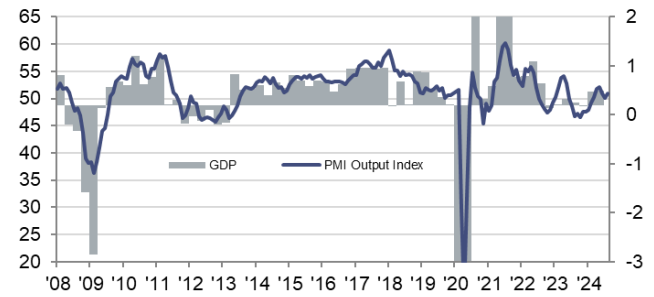
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HCOB Eurozone Composite PMI Output Index
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI

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



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

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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 80% 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 72% 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.

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