

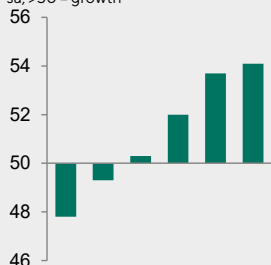
HCOB Eurozone Composite PMI[®]

Euro area economy grows at strongest pace since May 2022 as service sector rebound gathers momentum

54.1

EUROZONE COMPOSITE
PMI OUTPUT INDEX
APR '23

Composite PMI Output Index
Nov '22 - Apr '23
sa, >50 = growth



HCOB Eurozone Composite PMI Output Index at 54.1 (Mar: 53.7). 11-month high.

HCOB Eurozone Services PMI Business Activity Index at 56.2 (Mar: 55.0). 12-month high.

Input cost inflation slows to 26-month low

The eurozone economy recorded a further monthly expansion in economic activity at the start of the second quarter, extending the expansionary sequence seen since the start of 2023, the latest HCOB PMI[®] survey showed. In fact, growth strengthened to an 11-month high, signalling a further gaining of momentum following accelerated upturns in both February and March.

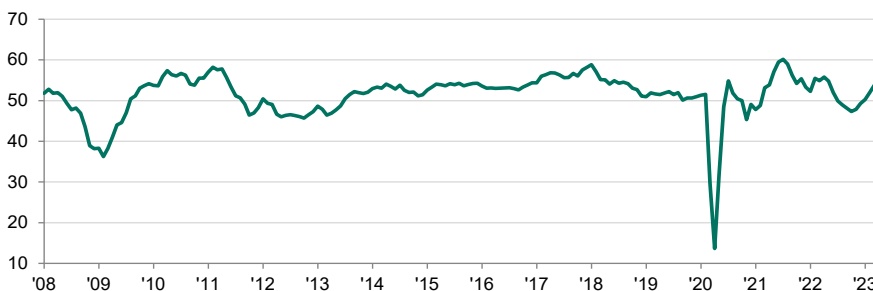
April's robust increase in output solely reflected growth in services activity, however, as manufacturing production fell for the first time since January. Similarly, a strong improvement in demand for services offset beleaguered manufacturing sector order books, which shrank again.

Nevertheless, euro area employment growth picked up to just shy of a one-year high, while inflationary pressures continued to subside. Input price pressures, albeit still historically sharp, eased to a 26-month low. Output prices were subsequently lifted to the softest extent in two years.

The seasonally adjusted HCOB Eurozone Composite PMI Output Index increased to 54.1 in April from 53.7 in March. The latest survey results confirmed a fourth consecutive month where the headline index has been above the crucial 50.0 level and therefore indicative of growth in business activity. Moreover, April's expansion was the fastest in nearly a year as the upturn gathered momentum for a third month in a row.

Of the countries with Composite PMI data available (which together account for around 78% of eurozone private sector output), the latest HCOB survey showed broad-based growth in April. Spain was once again the fastest-growing euro area economy, although the expansion did ease slightly from March's 16-month high. Italy registered a strong upturn in April, with growth close to a one-and-a-half-year high. Stronger momentum was also seen in the euro area's largest economy, Germany, which compared with a softer and modest expansion in France.

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



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Overview continued

Supporting greater euro area business activity levels in April were improving demand conditions. New order inflows picked up for a third consecutive month, rising moderately and at the quickest pace since May 2022. That said, higher new business was limited to domestic sources, according to the latest survey data, as new export orders* fell for a fourteenth month in a row. The decline in sales to foreign customers did ease, however, to the weakest in close to a year.

Notably, the rise in business activity continued to outpace that seen for new orders. Consequently, April survey data highlighted a reduction in companies' backlogs of work, the ninth in the past ten months. Firms were able to tackle their unfilled orders thanks to a further expansion in capacity as employment across the eurozone increased for a twenty-seventh successive survey

period. The rate of job creation picked up to the strongest since May last year.

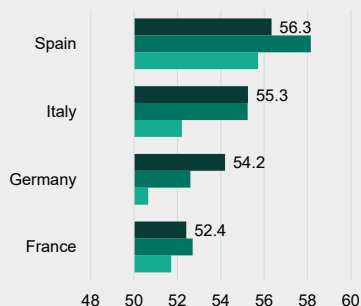
The sustained sequence of strong hiring activity was reported as a factor behind April's steep rise in operating expenses. According to firms, rising wage costs underpinned another month of increasing input costs. That said, the rate of inflation eased to a 26-month low. Output prices were raised further as companies looked to share higher cost burdens with their clients. The overall rate of increase was the weakest in two years but remained historically sharp.

Euro area businesses remained optimistic towards the next 12 months, with growth expectations roughly in line with their long-run average. However, the degree of positivity weakened slightly to a three-month low.



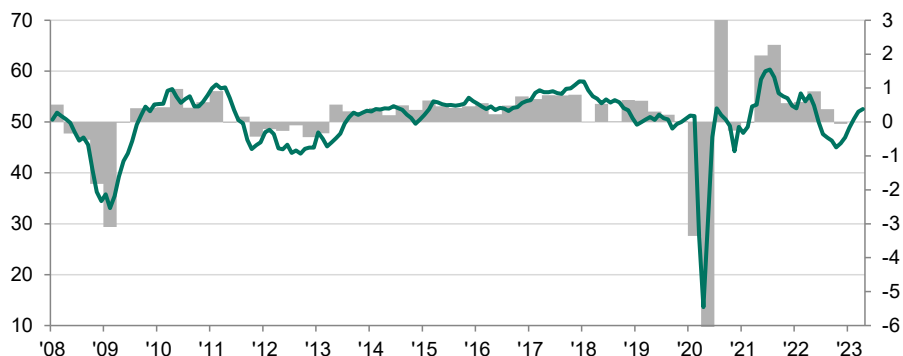
Composite PMI Output Index
by nation

■ Apr '23 ■ Mar '23 ■ Feb '23
sa, >50 = growth since previous month



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

■ Gross domestic product (GDP)
sa, %q/qr

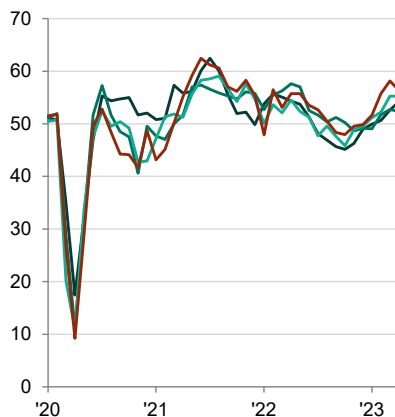


Sources: HCOB, S&P Global, Eurostat.

Composite PMI Output Index by nation

■ Germany ■ Italy
■ France ■ Spain

sa, >50 = growth since previous month



Composite PMI Output Index by sector

■ Manufacturing
■ Services

sa, >50 = growth since previous month



Comment



Dr. Cyrus de la Rubia
Chief Economist
Hamburg Commercial Bank AG

"Italy and Spain are currently the main driving forces behind service sector growth in the eurozone. This is shown by the HCOB PMI indices in April, which also signal expansion in Germany and France, but show particular strength in the two southern European countries. Here, the greater importance of tourism in these states is probably making itself felt, helping them benefit from the generally observed travel boom.

"The services sector is in robust shape across the eurozone, which is also reflected in the fact that companies are able to pass on at least some of the inflation in intermediate inputs to customers. This is signalled by the HCOB PMI price indices, which are well above 50.0 and have only eased

slightly from their peaks last year.

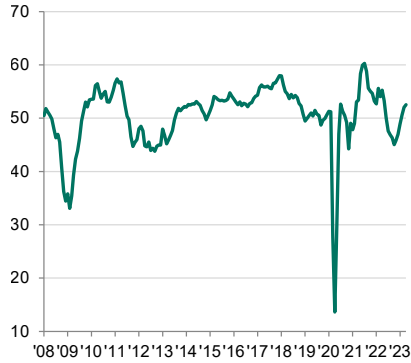
"Services firms' confidence is reflected not only in the solid index reading for business expectations, but also in the fact that firms increased their staffing levels more than the previous month, according to the PMI survey. This is also matched by the fact that new business increased at an accelerated pace, across all four major euro countries.

"One fly in the ointment that cannot be entirely ignored, however, is that the eurozone order backlog grew at a weaker pace, nearly stagnating in Germany and falling slightly in Italy. Across all HCOB PMI indicators, however, everything suggests that growth in the eurozone services sector will continue in the months ahead."

Composite PMI chart summary

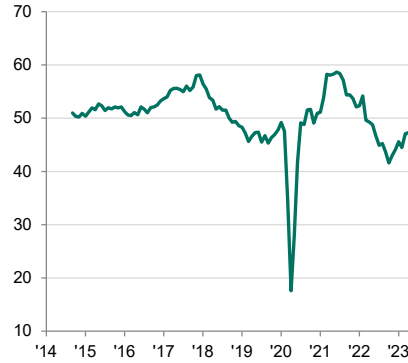
New Business Index

sa, >50 = growth since previous month



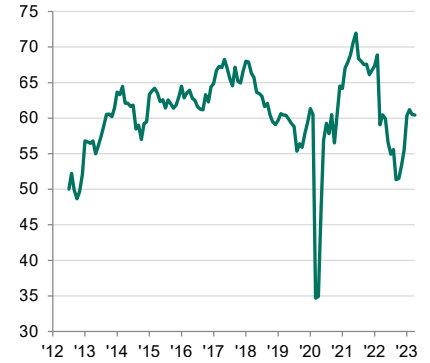
New Export Business Index

sa, >50 = growth since previous month



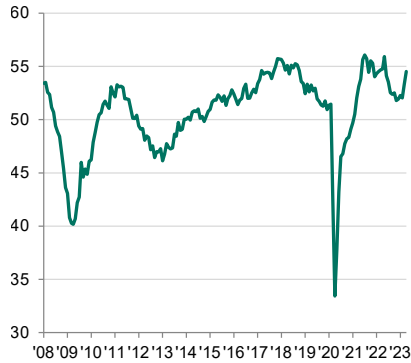
Future Output Index

>50 = growth expected over next 12 months



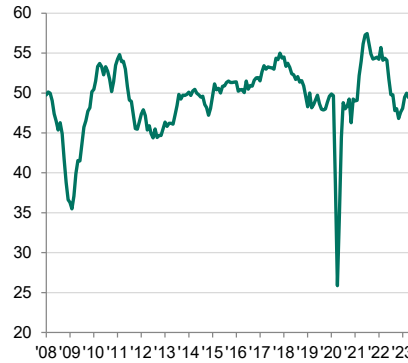
Employment Index

sa, >50 = growth since previous month



Outstanding Business Index

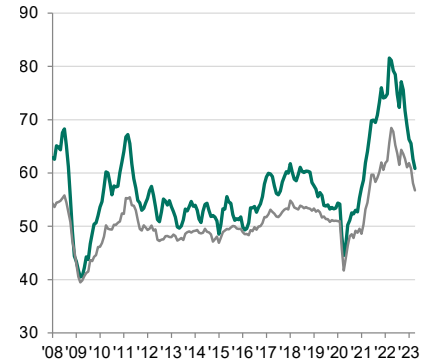
sa, >50 = growth since previous month



Input Prices Index

■ Output Prices Index

sa, >50 = inflation since previous month



HCOB Eurozone Services PMI

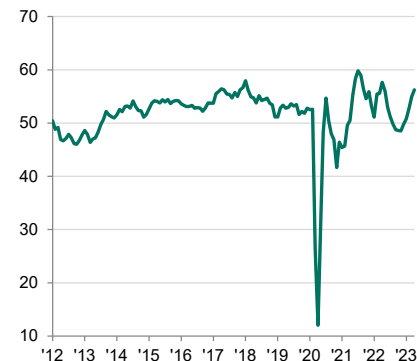
The HCOB Eurozone Services PMI Business Activity Index recorded 56.2 in April, up from 55.0 in March to signal the strongest expansion in service sector activity in a year. The latest upturn was the fourth in as many months and well above that seen on average across the survey history (since 1998).

Higher demand for eurozone services boosted activity levels during April. New order intakes rose at a similarly-strong rate to that of output. The increase in new business was likewise the strongest in precisely one year. Backlogs of work also rose, marking a third successive pick-up in outstanding business. Companies stepped up their efforts to boost capacity, with employment levels rising at the sharpest pace since May 2022.

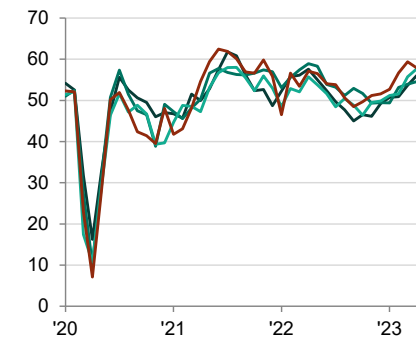
Meanwhile, price pressures subsided during April, although rates of inflation for both output charges and input costs remained well above long-run trends. For example, the latest rise in selling prices, albeit the weakest in 14 months, was greater than anything seen in the survey history prior to February 2022.

Finally, service sector business confidence slipped to a three-month low in April.

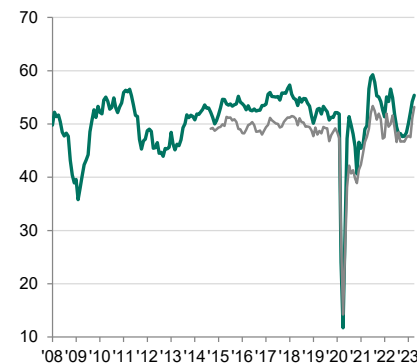
Business Activity Index
sa, >50 = growth since previous month



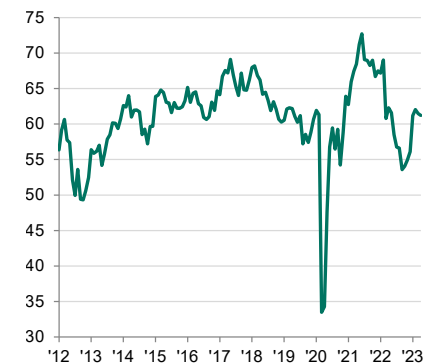
Business Activity Index by nation
sa, >50 = growth since previous month



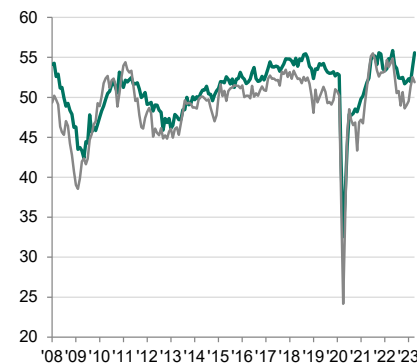
New Business Index
New Export Business Index
sa, >50 = growth since previous month



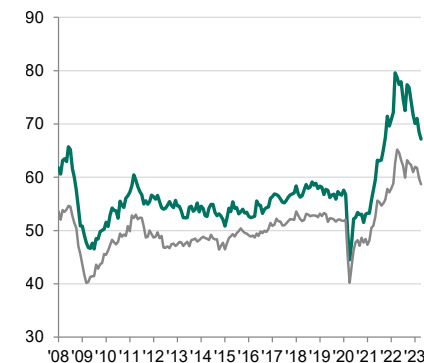
Future Activity Index
>50 = growth expected over next 12 months



Employment Index
Outstanding Business Index
sa, >50 = growth since previous month



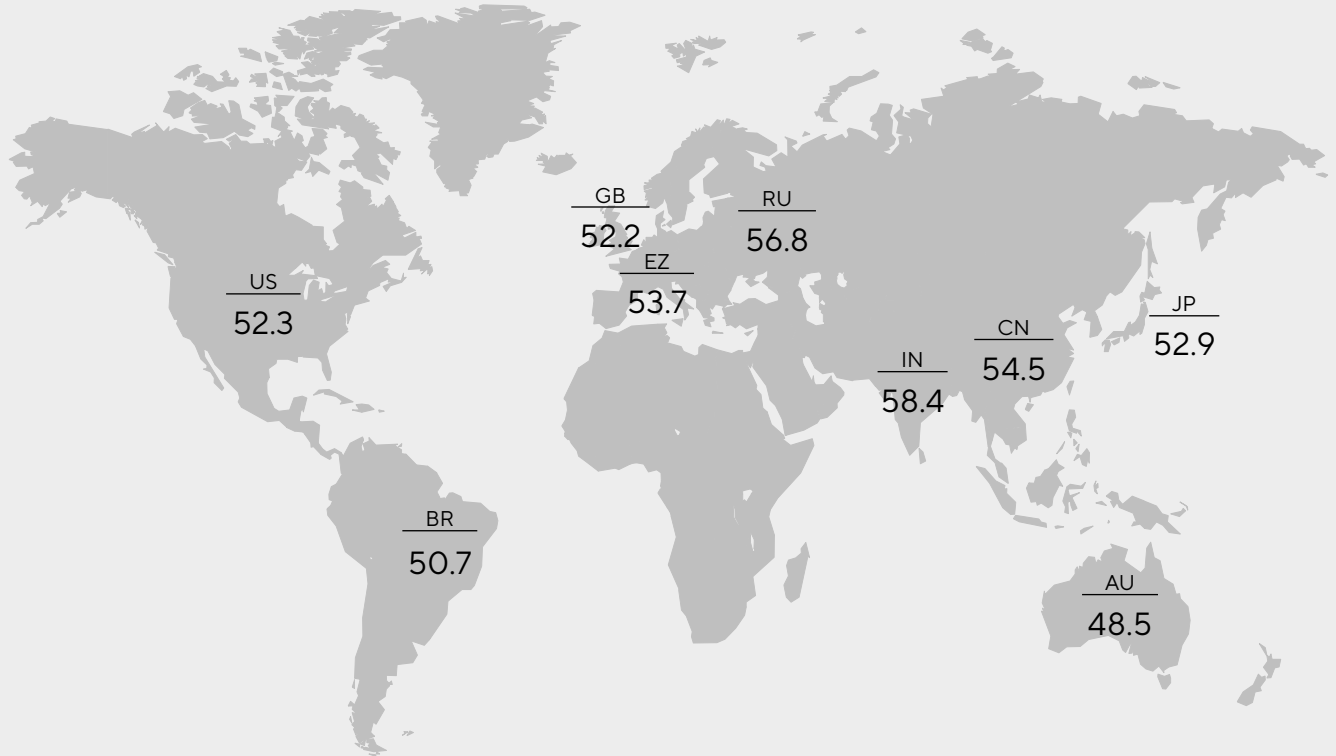
Input Prices Index
Output Prices Index
sa, >50 = inflation since previous month



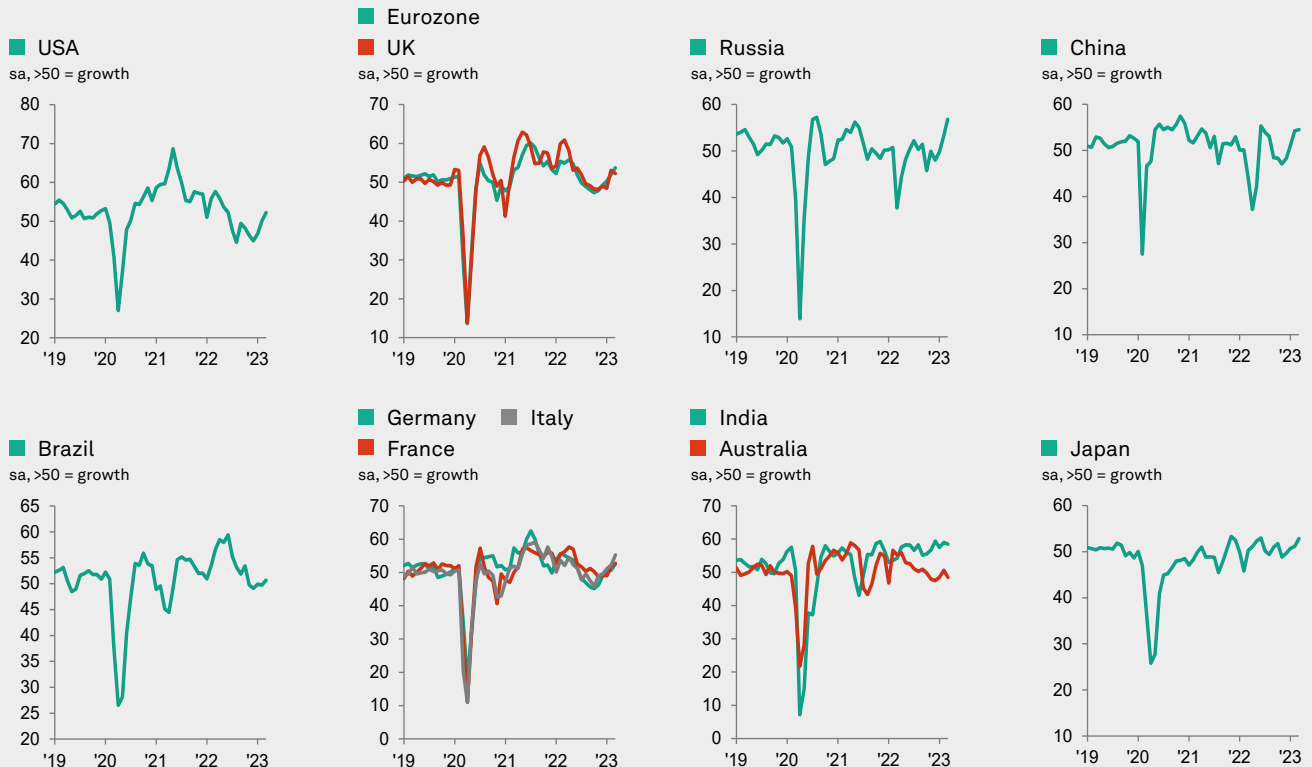
International PMI

Composite Output Index, Mar '23
sa, >50 = growth since previous month

The Composite Output Index is a GDP-weighted average of the Manufacturing Output Index and the Services Business Activity Index.



Composite Output Index



Survey methodology

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.

*Source: Eurostat.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates

Data were collected 10-25 April 2023.

Survey questions

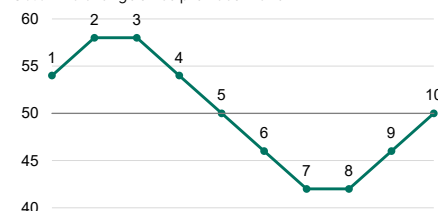
Services sector	Manufacturing sector
Business Activity	Output
New Business	New Orders
New Export Business	New Export Orders
Future Activity	Future Output
Employment	Employment
Outstanding Business	Backlogs of Work
Input Prices	Input Prices
Prices Charged	Output Prices

Index calculation

$$\% \text{ "Higher" } + (\% \text{ "No change" }) / 2$$

Index interpretation

50.0 = no change since previous month



- | | |
|--------------------------|----------------------------|
| 1 Growth | 6 Decline, from no change |
| 2 Growth, faster rate | 7 Decline, faster rate |
| 3 Growth, same rate | 8 Decline, same rate |
| 4 Growth, slower rate | 9 Decline, slower rate |
| 5 No change, from growth | 10 No change, from decline |

Sector coverage

PMI data include responses from companies operating in sectors classified according to the following ISIC Rev.3 codes:

SERVICES

- 55 Hotels & Restaurants
- 60 Land Transport and Pipelines
- 61 Water Transport
- 62 Air Transport
- 63 Supporting Transport Activities
- 64 Post and Telecommunications
- 65 Banking
- 66 Insurance and Pensions
- 67 Other Financial Services
- 70 Real Estate
- 71 Renting of Goods

- 72 Computer Services
- 73 Research and Development
- 74 Other Business Activities
- 80 Education
- 85 Health Care
- 91 Membership Organisations
- 92 Recreational, Cultural and Sporting Activities
- 93 Other Service Activities

MANUFACTURING

- 15 Food and beverages
- 16 Tobacco products
- 17 Textiles
- 18 Wearing apparel
- 19 Leather and related products
- 20 Wood and wood products
- 21 Paper and paper products
- 22 Printing and reproduction of recorded media
- 23 Coke and refined petroleum products
- 24 Chemicals and chemical products
- 25 Rubber and plastic products
- 26 Other non-metallic mineral products
- 27 Basic metals
- 28 Fabricated metal products
- 29 Machinery and equipment n.e.c.
- 30 Office machinery and computers
- 31 Electrical equipment
- 32 Communication equipment
- 33 Medical, precision and optical instruments
- 34 Motor vehicles, trailers and semi-trailers
- 35 Other transport equipment
- 36 Other manufacturing

Index summary

Composite (manufacturing and services)

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Output	New Business	New Export Business	Future Output*	Employment	Outstanding Business	Input Prices	Output Prices
11'22	47.8	45.8	43.0	53.3	51.8	46.8	71.7	62.7
12'22	49.3	47.0	44.1	55.5	51.9	47.6	68.9	61.1
01'23	50.3	48.9	45.6	60.4	52.3	48.1	66.3	61.9
02'23	52.0	50.6	44.5	61.2	52.0	49.5	65.5	60.8
03'23	53.7	52.0	47.1	60.5	53.3	50.0	62.6	58.1
04'23	54.1	52.5	47.3	60.4	54.5	49.4	60.9	56.8

Services

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	New Export Business	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
11'22	48.5	47.7	46.7	54.9	51.7	48.6	74.3	62.3
12'22	49.8	48.4	47.5	56.1	51.9	49.0	71.8	61.0
01'23	50.8	50.1	47.8	61.2	52.3	49.5	70.1	62.0
02'23	52.7	52.2	47.5	62.0	51.9	51.4	71.0	61.8
03'23	55.0	54.2	51.0	61.5	53.8	52.5	68.5	59.8
04'23	56.2	55.4	53.2	61.2	55.6	51.9	67.2	58.7

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About Hamburg Commercial Bank

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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