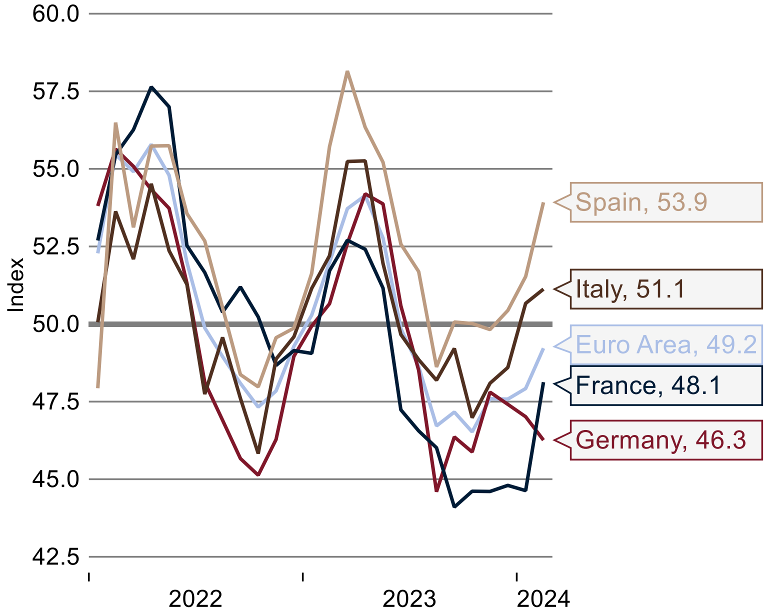
Hamburg Commercial Bank

THE PULSE OF THE EUROZONE: HCOB PMI – WRAP UP

Improved outlook

HCOB Composite PMI, Output Index (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

Content

Gradually, the economic outlook in the Eurozone is showing signs of improvement. Particularly in Southern Europe, specifically Spain and Italy, there is a return to growth. In France, the pace of contraction has at least slightly diminished. However, in Germany, the overall situation has worsened due to a renewed downturn in the manufacturing sector.

When examining the key sectors, it becomes evident that the services sector is lifting the overall economy. The corresponding Purchasing Managers' Index (PMI), after a prolonged period of struggle, has once again crossed the 50 threshold, and we expect this trend to continue. Additionally, the manufacturing sector in the Eurozone is also trending upward.

Unfortunately, there is concerning news on the price front. Production costs have risen in the services sector, primarily driven by higher wages. The fact that selling prices increased even more in February compared to the previous months indicates that service providers are passing on the higher production costs to consumers. For the European Central Bank, which convenes on March 7th, this is a crucial factor that will most probably lead them to postpone interest rate cuts.

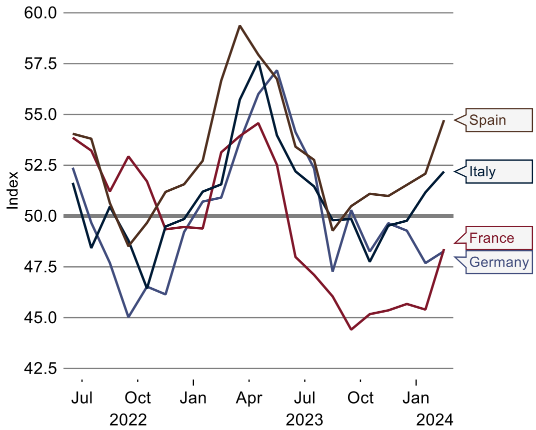
Hamburg Commercial Bank

Eurozone

Services: modest growth

The service sector may be off to a better start in 2024 than anticipated. For the first time in seven months, the sector's activity is expanding instead of shrinking. While the growth rate is modest, it is complemented by positive developments in subindicators. Particularly encouraging is the uptick in new staff recruitment by service providers, surpassing the sluggish rates seen in recent months. Moreover, the stability in incoming new business suggests a potential turning point in demand conditions.

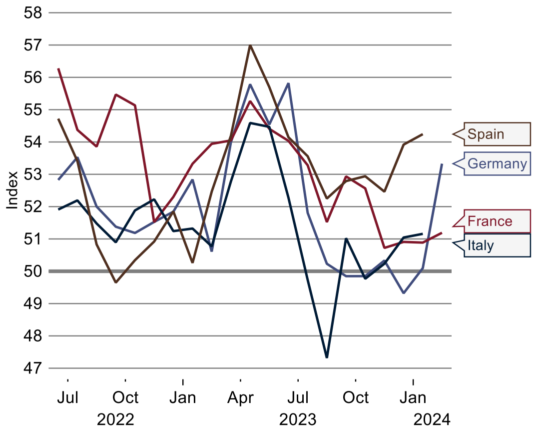
HCOB Germany, France, Italy, Spain Services PMI, Business Activity (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

Economic vitality in Eurozone's service sector is thriving predominantly in the South. With Spain and Italy marking their sixth and second consecutive months of rising service sector activity, respectively, the contrast with Germany and France, where growth remains negative, is evident. Nonetheless, a shared theme among the top four eurozone economies is the accelerated pace of hiring by employers. While employment is traditionally considered a lagging indicator, this uptick hints at a growing sense of optimism and points towards continued sectoral recovery.

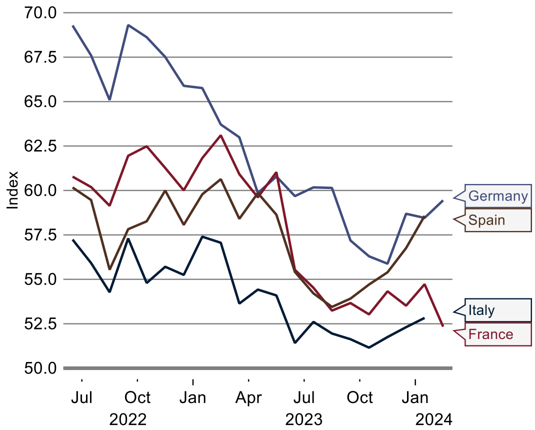
HCOB Germany, France, Italy, Spain Services PMI, Employment (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

As the European Central Bank (ECB) gears up for its March 7 meeting, the spotlight falls on heated discussions surrounding the timing of interest rate cuts. In this respect, the PMI survey provides two most important insights. Firstly, output prices in the service sector continue to surge at an accelerated rate, primarily fueled by escalating wages. Secondly, the unexpectedly robust pricing power demonstrated by service providers amid a sluggish economic climate and a forecast of sub-1% growth for 2024 raises eyebrows. This heightens concerns regarding the potential emergence of a wage-price spiral and stagflation, particularly in light of persistent structural labor shortages that threaten productivity. Those advocating late rate cuts may very well find reinforcement in the PMI findings.

HCOB Germany, France, Italy, Spain Services PMI, Output Prices (Feb 2024)

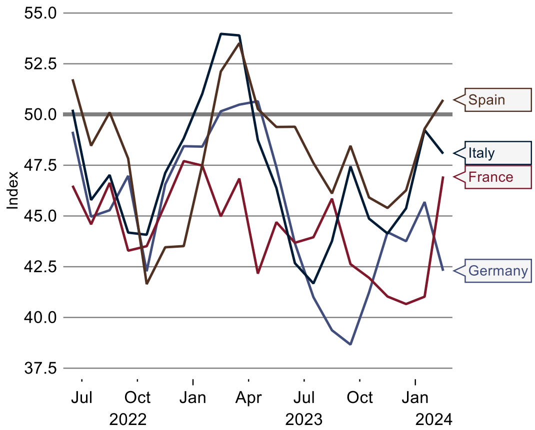


Source: Macrobond, HCOB Economics, S&P Global

Manufacturing: rapid recovery

Eurozone's one-year industrial recession is not coming to an end. Output has declined again at a similar pace as to the previous month, mainly due to the heavyweights Germany and France. Spain, by contrast, is the first of the leading four euro countries to reenter growth territory. On a slightly more positive note, the decline in new orders in the Eurozone has softened somewhat, offering a glimmer of hope for potential demand recovery in the future.

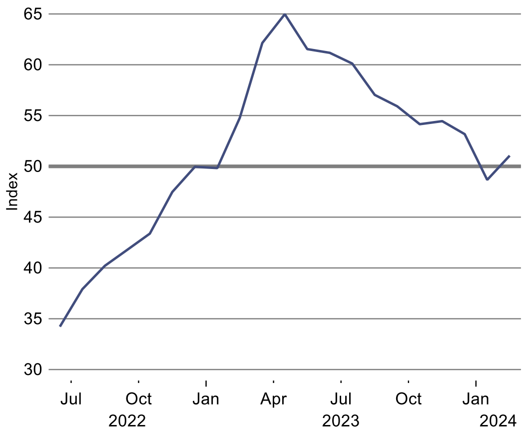
HCOB Germany, France, Italy, Spain Manufacturing PMI, Output (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

The attacks by the Houthis on commercial vessels in the Red Sea have had a temporary impact, leading to a brief lengthening of delivery times in January, followed by a subsequent reduction in lead times. Consequently, the softer decline in input prices this month is unlikely to be attributed to tensions in the Red Sea but rather to ordinary movements in commodity prices, such as the recent rise in oil prices. The fundamental trend of lower demand, which remains the primary driver of faster delivery times, continues to persist.

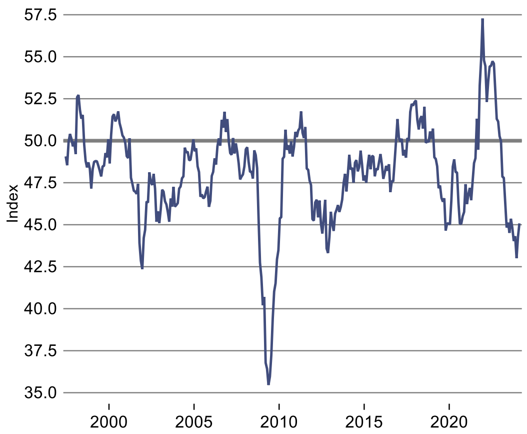
HCOB Euro Area Manufacturing PMI, Delivery Times (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

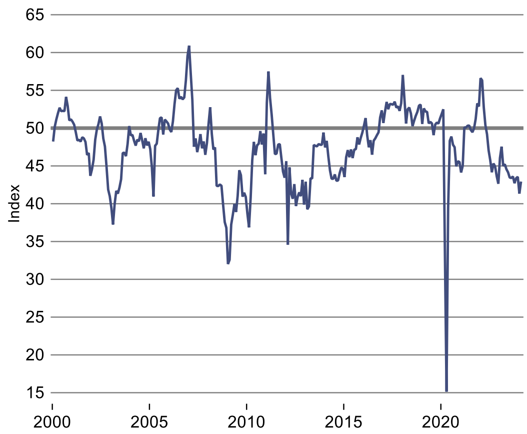
The stock of purchases continues to deplete rapidly, albeit at a slightly softened pace for the second consecutive month. Despite this minor moderation, there is little indication of an imminent end to the ongoing one-year-long inventory run-down.

HCOB Euro Area Manufacturing PMI, Stock of Purchases (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

HCOB Euro Area Construction PMI, Output (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

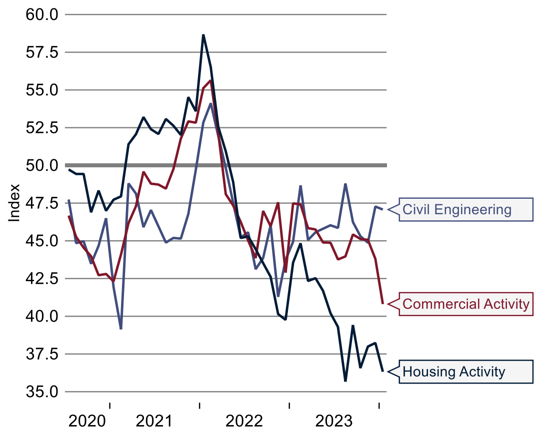
Prospects regarding future output remain cautiously optimistic, although the index is still slightly below the long-term average assessment, reflecting the prevailing subdued environment. Similarly, employers are reducing their workforce, but with a reluctance to adopt overly aggressive measures in this regard. As a result, the overall sentiment is not one of anticipating an exceptionally bright future, yet firms are also not bracing for depressive times. Instead, it appears that businesses are maintaining their operations, poised to spring back into action when the signs of improvement materialize. They are in a kind of waiting position.

Construction: continues to suffer

The PMI for the construction sector sends a clear message: If the Eurozone wants to pull itself out of the recession quagmire, relying on the construction sector is not the way forward. Unfortunately, the sector shows no signs of imminent recovery. On the contrary, order inflows have declined even more sharply in February than in the past three months.

The decline in activity remains dramatic in the residential construction sector, where building activity has plummeted to a level not seen in six months. Similarly, in the commercial sector, construction has been consistently decreasing for 23 consecutive months, although the rate of contraction was slightly less pronounced than in the previous month. A glimmer of hope comes from civil engineering, where the decline in activity is at its lowest point in seven months.

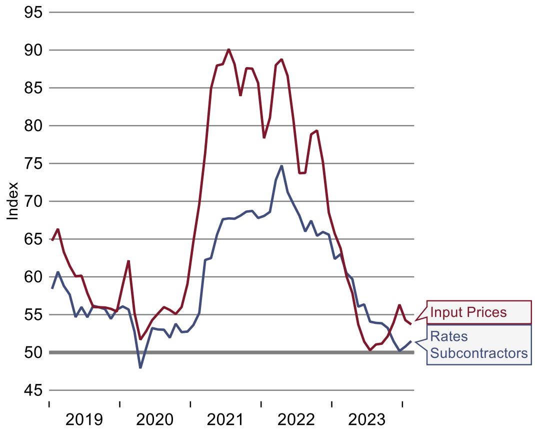
HCOB Euro Area Construction PMI, Output (Jan 2024)



Source: Macrobond, HCOB Economics, S&P Global

The situation for construction companies is not only complicated by high interest rates but also by persistently robust production costs. These rising costs are also reflected in higher rates for subcontractors. Surprisingly, the downward trend in activity has not yet translated into lower input prices, possibly due to overall wage increases and energy prices. For instance, oil prices are currently higher than the average of the past year.

HCOB Euro Area Construction PMI (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

Italy's construction sector continues to operate by its own rules. While it's not booming, it stands out among the top three Eurozone countries as the only one showing noticeable growth. It appears to have left behind a brief recessionary phase from the previous year. In contrast, France and Germany remain deeply entrenched in recession. The anticipated interest rate cuts by the ECB may contribute to easing the situation, but more crucial will be a general economic recovery, which can restore confidence for both households and businesses to invest in construction.

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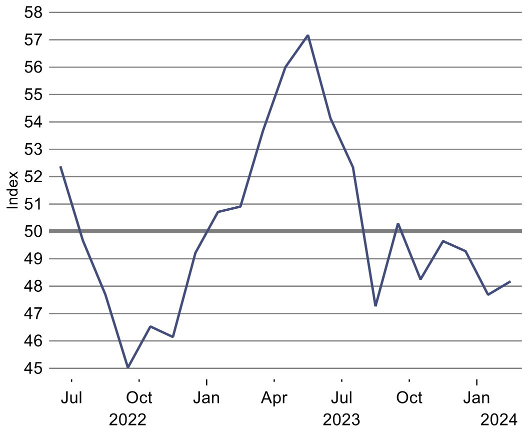
Germany

Services: situation better than in industry

Service providers are managing to distance themselves a bit from the depressive state in the manufacturing sector. Although their activity is shrinking again, the rate of decline has eased, standing in stark contrast to the deepening crisis gripping manufacturing. What is especially encouraging is that most of the subindicators are improving as well.

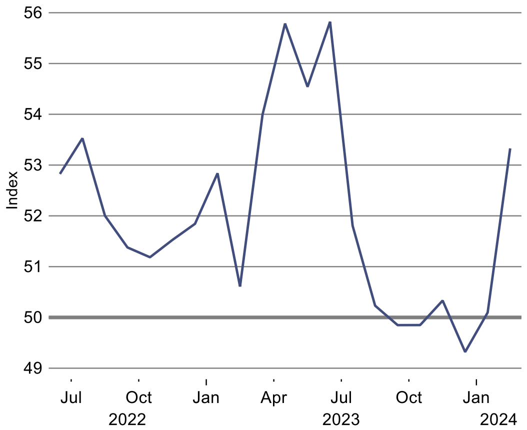
HCOB Germany Services PMI, Business Activity (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

In a sign of mounting resilience and optimism, service providers have expanded their workforce by leaps and bounds. The corresponding index surged by over three points, a stark contrast to January's signal of stagnant employment. Moreover, findings from the latest PMI survey indicate that companies are now foreseeing a swifter uptick in activity over the next 12 months compared to their previous expectations.

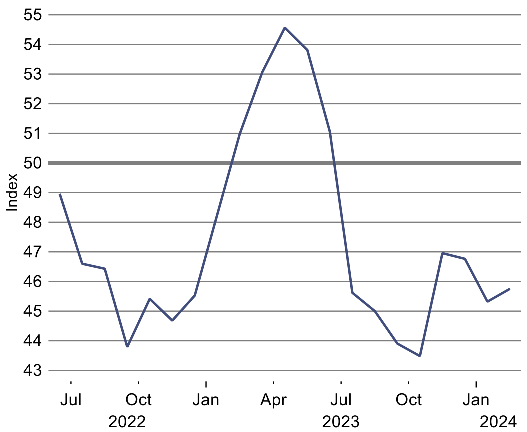
HCOB Germany Services PMI, Employment (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

On the whole, the service sector grapples with tepid demand. Despite a mild softening, new business has dipped once more, with new work from abroad taking an even steeper nosedive compared to the previous month. Meanwhile, outstanding business also slipped, though marginally slower than in January. Surveyed firms pin these trends on tight financial constraints, client hesitancy, and the overarching economic frailty, particularly prevalent in the manufacturing and construction sectors.

HCOB Germany Services PMI, New Business (Feb 2024)



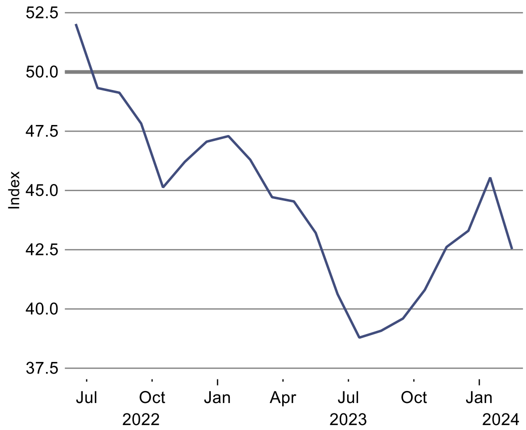
Source: Macrobond, HCOB Economics, S&P Global

Given the overall fragility of the economy, the persistent uptick in inflation within the services sector raises eyebrows. The notable increase in input prices is primarily attributed to above-average wage hikes, subsequently leading to a pass-through of these elevated costs to consumers. While this sounds trivial, the fact that service providers can successfully transfer these higher expenses to consumers underscores their robust pricing power and is a sign of economic resilience. However, this outcome, which has already been observed for a while, is drawing dissatisfaction from the European Central Bank (ECB). Isabel Schnabel, a board member of the ECB, recently highlighted concerns, stating that monetary policy has had a diminished impact on curbing demand for services and, consequently, on taming inflation within this sector. In our opinion, these figures are likely to play a prominent role in the ECB's decision-making process at their meeting on March 7.

Manufacturing: downturn leaves little room for hope

All hope has been dashed – for the moment. After a steady increase of the PMI over the last half a year, the index plunged to its lowest point since last October. The drop was the result of a broad-based deterioration of indicators like the accelerated fall in new orders, the faster downturn in output and the more aggressive trimming of jobs. The widespread nature of the downturn offers little hope for a turnaround in the near future.

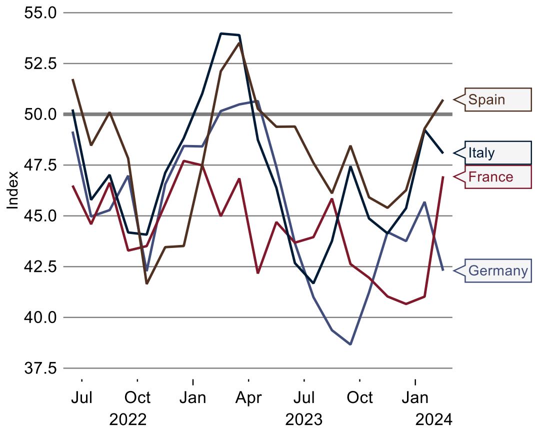
HCOB Germany Manufacturing PMI (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

The worsening situation in the German manufacturing sector is kind of unique in the Eurozone this month. Looking around, French and Italian companies are much less depressed and in Spain the sector is even growing again. This result will most probably heat up the discussion about deindustrialisation, political errors and the need for reforms in Germany. However, better to have trading partners whose industry is showing some robustness instead of being dragged down by them further into the abyss. We would even go so far as to say that the other economies are leading the way which would mean that Germany might be close to bottoming out.

HCOB Germany, France, Italy, Spain Manufacturing PMI, Output (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

It's like Germany's manufacturers are operating in a bubble, unaffected by the detours that commercials vessels are taking to avoid attacks from the Houthi Rebels in the Red Sea. While the shortening of delivery times softened a bit in January, firms reported in February much faster deliveries again. This is good news by itself – who would not be happy to get their ordered goods quick and fast. However, it is a clear sign that manufacturers are facing lower demand. To conclude the matter, some firms are certainly reporting problems with Houthi-induced delays, but the overall impact seems to be negligible.

HCOB Germany Manufacturing PMI, Delivery Times (Feb 2024)

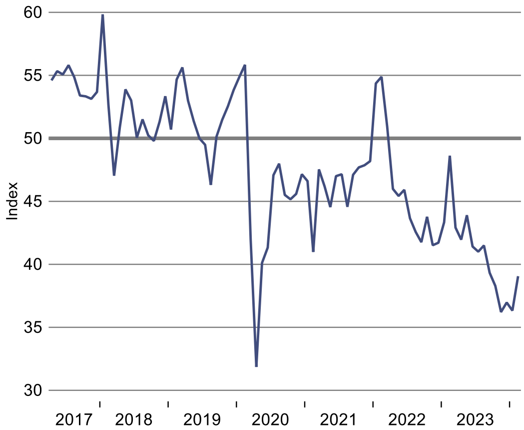
Source: Macrobond, HCOB Economics, S&P Global

The worst news emanates from the investment goods sector. This area, which is at the core of the German manufacturing sector, was the main driver of the steep reaccelerated fall of manufacturing output in February. The decision of investment goods companies to cut jobs at the fastest pace since October 2020 underscores the pessimism among managers regarding the prospects of a near-term recovery.

Construction: ugly picture

These numbers continue to paint an ugly picture. True, the PMI has gone up by almost 3 points which is not negligible. However, the index remains still deep in recessionary territory and it is only a one-month movement for now.

HCOB Germany Construction PMI, Activity (Feb 2024)



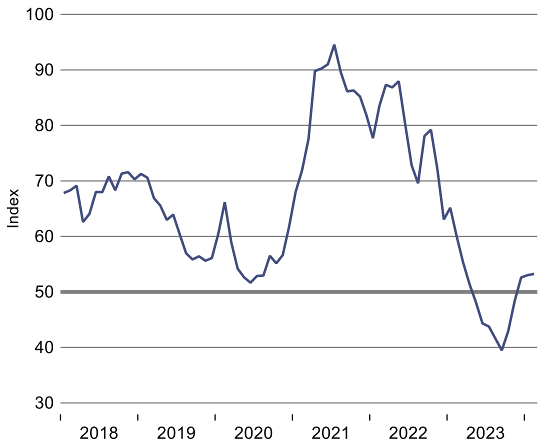
Source: Macrobond, HCOB Economics, S&P Global

Housing remains the main driver of the recession in construction, followed by commercial real estate activity. A silver lining comes from civil engineering as activity has remained more or less the same as in January, instead of continuing its hefty fall of the previous five months.

Growth territory remains far away. This is best indicated by new orders which have been shrinking at a fast pace for two years running.

The fall softened a bit over the last three months. But this means only that the deepening of the crisis has lost some momentum, while the crisis is far from over.

HCOB Germany Construction PMI, Input prices (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

One thing that does complicate the longed-for recovery is the fact that input prices are on the increase again for three months straight. Subcontractor rates have increased in February for the first time in five months. This means that construction companies are not only suffering from the high interest rate level but also from increasing costs. Given the weak economy it is difficult to build residential buildings that are both attractive for the builder and affordable to the people.

The assessment about future activity has been negative almost continuously since the start of Covid-19 in 2020. It is as if pessimism has almost entered into the DNA of the construction sector. However, we know that better times will eventually come back. Just as an example, during 2016 to 2019, the construction businesses were much more positive on the future. What could possibly trigger a change for the better? Lower interest rates are certainly one ingredient as well as a general economic recovery. Interest rate cuts, though probably not too many, are around the corner and we are convinced that the recession will be over soon.

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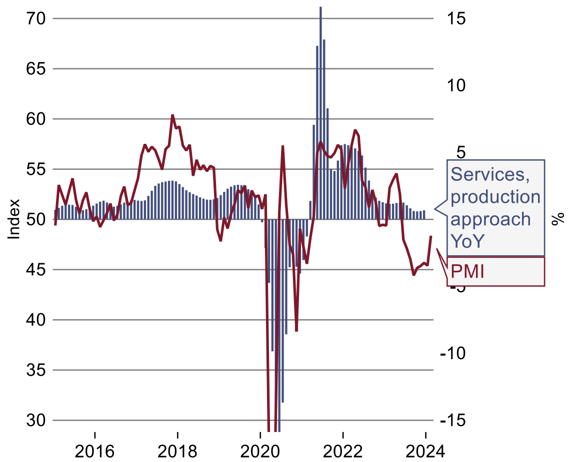
France

Services: on the cusp of growth

The French services sector is on the verge of growth. It looks like the sector is recovering with business activity climbing to a nine-month-high and employment growth reaccelerating. Recovering domestic and abroad demand was the main driver of the jump in the business activity index.

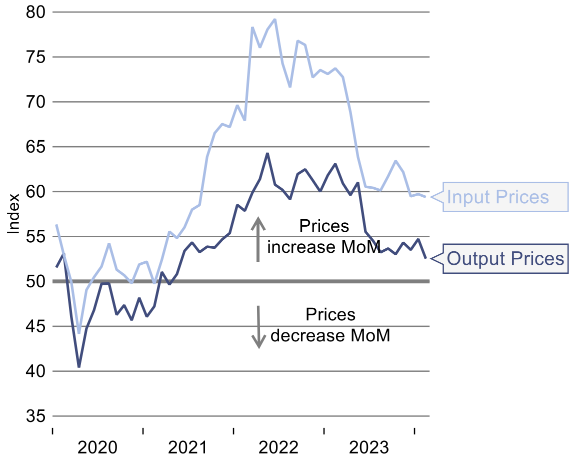
HCOB France Services PMI, Business Activity vs. Services production (Feb 2024)



Source: Macrobond, HCOB Economics, INSEE, S&P Global

Exports are giving a boost to the French services sector. Services exports have grown for the first time since May 2023, helping the services sector to get back up on its feet. Domestic demand is still shrinking, although at a much slower rate compared to the last month.

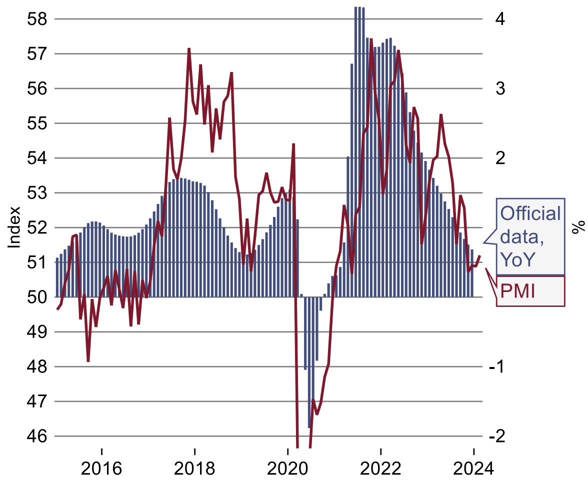
HCOB France Services PMI, Prices vs. official price data



Source: Macrobond, HCOB Economics, S&P Global

Price pressures are easing in the French services sector. Although output prices increased for the 34th consecutive month, the pace of increase slowed down after price growth had reaccelerated for the past three months. On the other hand, there is no visible easing on input prices, which are still rising due to increasing labor costs.

HCOB France Services Employment PMI vs. official employment data in services



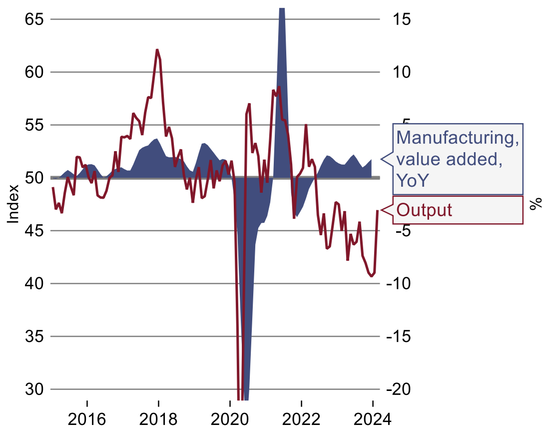
Source: Macrobond, HCOB Economics, INSEE, S&P Global

The future is filled with uncertainty. Compared to last month, surveyed companies seem more optimistic about future activity but the corresponding index is still below the long-term average, indicating a rather muted optimism view for the future. We think that the French economy will recover in 2024 which should be driven by more domestic demand.

Manufacturing: rapid recovery

The French manufacturing is starting to recover at a fast pace. Although the index contracted for the 13th month in a row, the decline softened noticeably. Less shrinking domestic and international demand drove output to recover further. With the latest PMI figures, our HCOB Nowcast points to a softer downturn in the manufacturing sector in the first quarter of 2024.

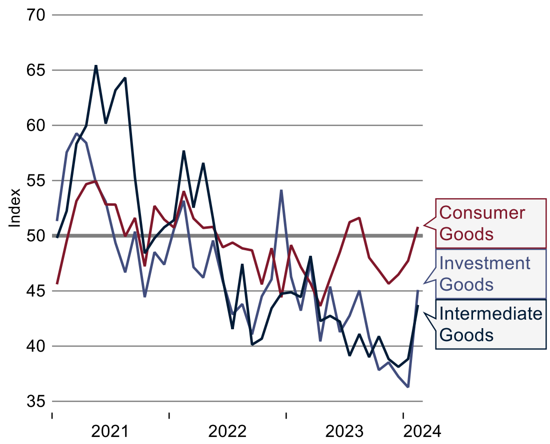
HCOB Manufacturing France PMI, Output vs. value added (Feb 2024)



Source: Macrobond, HCOB Economics, French National Institute of Statistics & Economic Studies (INSEE), S&P Global

Consumer goods are leading the recovery in the French manufacturing sector. Output and new orders in this sector recovered fully. In the other two sectors – intermediate and capital goods – the output contraction softened significantly. The strong increase in output and new orders led companies in the consumer goods sector to be more optimistic about future output. Overall, the future looks still gloomy.

HCOB Manufacturing France PMI, Output by sector (Feb 2024)

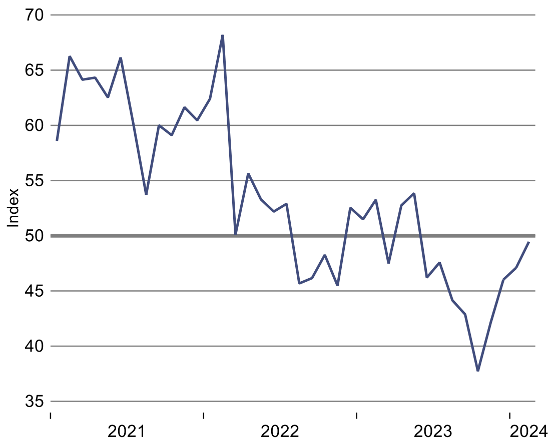


Source: Macrobond, HCOB Economics, S&P Global

The attacks in the Red Sea appears to be relatively harmless on supply chains. Though suppliers' delivery times slumped for the second month with companies reporting longer transport times, leading to supply chain disruptions. However, compared with the supply chain disruptions in 2021, the attacks are having no noticeable impact.

Manufacturers are getting less pessimistic about the future. Although the corresponding HCOB PMI is clearly below its long-term average, it looks like there might be some hope for the future. We think that domestic demand will pick up over this year, leading to a recovery in the French manufacturing sector.

HCOB Manufacturing France PMI, Future Output (Feb 2024)

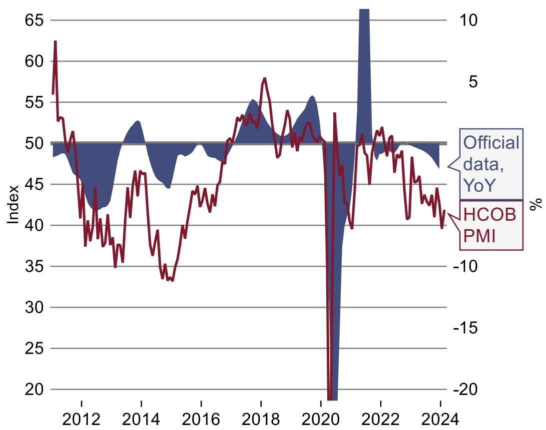


Source: Macrobond, HCOB Economics, S&P Global

Construction: continues to suffer

There is no recovery in sight for the French construction sector. This can be seen in the latest HCOB PMI figures with another sharp decline in activity and new orders. The picture drawn by the HCOB PMIs is also confirmed by national accounts data by INSEE, which shows the construction industry being in a recession since one year.

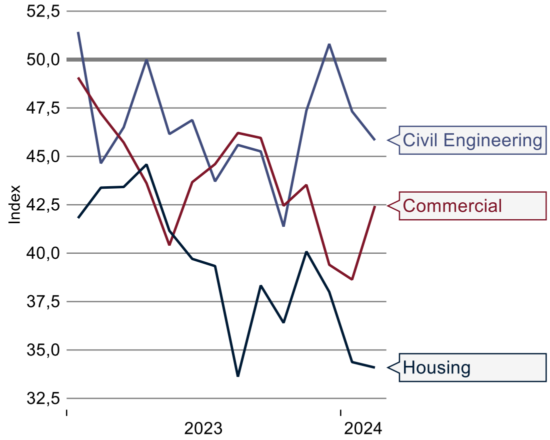
HCOB France Construction PMI, Activity vs. official construction data (Feb 2024)



Source: Macrobond, HCOB Economics, French National Institute of Statistics & Economic Studies (INSEE), S&P Global

The housing sector drags on overall activity. Although all three sectors – housing, commercial and civil engineering – fell further in February, the decline was more pronounced in the housing sector. In addition to low demand, construction companies struggle with higher interest rates, rising wages and high input prices.

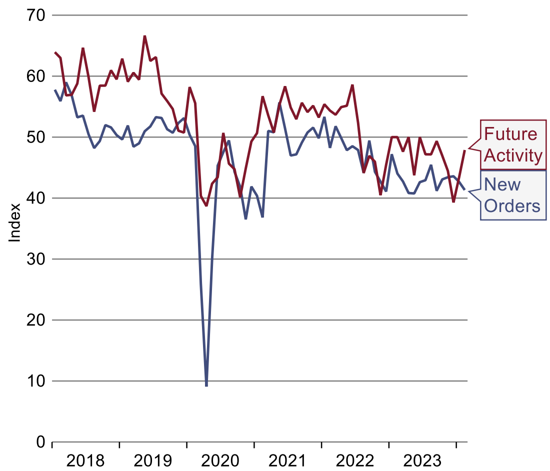
HCOB France Construction PMI, Activity (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

Prices continue to cool off in the construction sector. Input prices rose at the softest rate in almost eight years while subcontractor rates fell for the first time in about four years, albeit at a slow rate. Weak demand and economic activity have caused price increases to slow so that prices are expected to fall further in the coming months.

HCOB France Construction PMI (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

Construction companies are beginning to see light at the end of the tunnel. Expectations about future output rose sharply for the second month, approaching the threshold of 50 and the long-term average at a fast pace. With expectations of falling prices and interest rates in the future, there are rising hopes of a recovery in the construction sector. Overall, however, the companies are still being pessimistic about the future.

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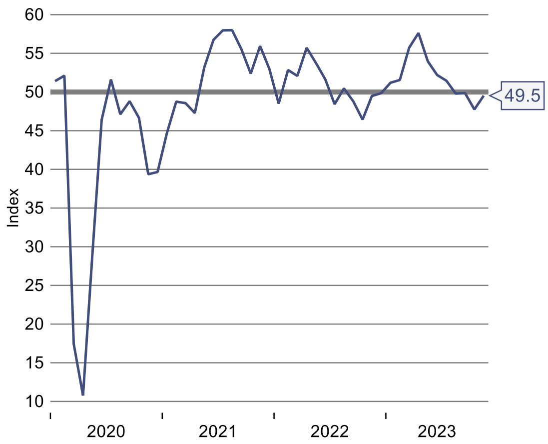
Italy

Services: hope for the Italian economy

Italy's service sector is picking up steam. The HCOB PMI for business activity climbed by a point to 52.2 in February. According to our HCOB Nowcast, which includes the HCOB PMIs, Italy is experiencing above average eurozone economic dynamics, but the services sector appears to be a beacon of hope within this context.

HCOB Italy Services PMI, Business Activity (Feb 2024)

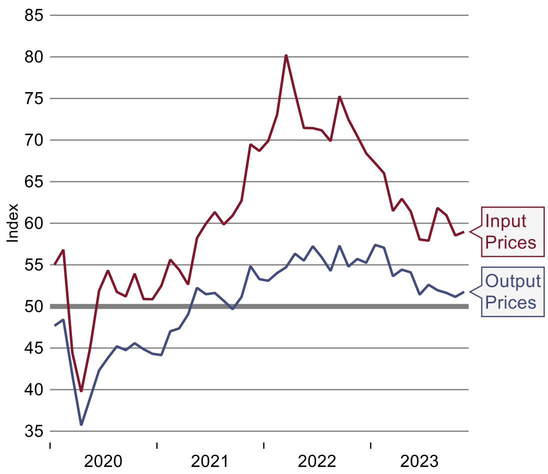


Source: Macrobond, HCOB Economics, S&P Global

The Italian services sector is standing firm on solid ground. Alongside steady growth in domestic orders, there's now a gentle push from overseas. The overall boost in demand, in turn, is reflected in the robust employment situation in the country, which saw further improvement compared to the previous month.

The uptick in orders isn't quite robust enough to stack up backlogs; existing deals are still dwindling. On top of that, service companies are still grappling with steep prices. Indeed, one silver lining amid the challenging inflationary environment is that entrepreneurs have managed to narrow the growth gap between input prices and the prices they charge.

HCOB Italy Services PMI, Prices (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

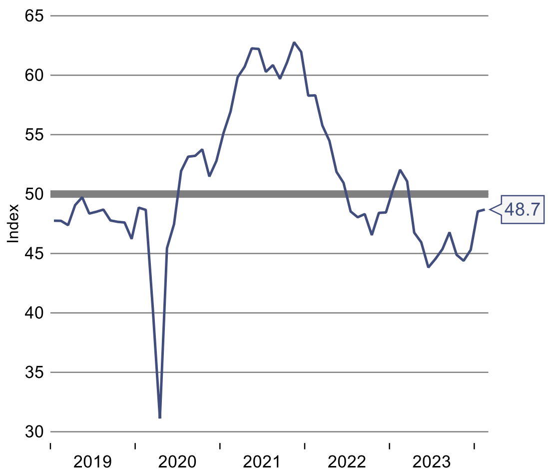
The long-term growth outlook for the service sector is uncertain. While the subindex for future activity is clearly in the growth zone, it still lags significantly behind historical averages, signalling a rather muted view on the future. Surveyed companies remain pessimistic, particularly concerned about economic and geopolitical prospects.

Manufacturing: dropped again

Italy's industry is stuck in a rut with no signs of improvement. The HCOB PMI for the manufacturing sector in February hasn't budged from last month's figures. Sitting at 48.7, there's little room for optimism. What's worrying is the sharp drop in output compared to the previous month. The numbers remain in the shrinking range, extending the period of decline to almost a year.

The industry can't complain about high inflation and low employment. Despite a substantial increase compared to the previous month, input prices continued to decline in February. When combined with the equally sharp drop in output prices, it signals persistent weakness in demand. Employment saw a significant jump from the previous month, now showing signs of growth. It remains to be seen whether the recent dynamic in the job market is just a one-off effect or the start of a trend.

HCOB Italy Manufacturing PMI (Feb 2024)

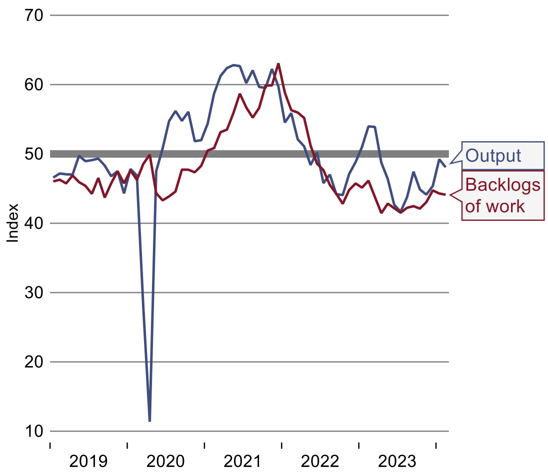


Source: Macrobond, HCOB Economics, S&P Global

Despite ongoing disruptions in the Red Sea, suppliers' delivery times appear to be easing, indicating the depth of demand weakness and sending a less-than-ideal signal. Additionally, backlogs of work are decreasing at a rapid pace. There is not much on the horizon that could flip the situation anytime soon.

Looking ahead, the situation in the Italian industry is a bit of a mixed bag. On the one hand, companies are suffering from declining orders both domestically and internationally. On the other hand, expectations about future output are above historical averages. The surveyed manufacturers expressed hope for an economic recovery and more stable geopolitical conditions, among other factors.

HCOB Italy Manufacturing PMI (Feb 2024)



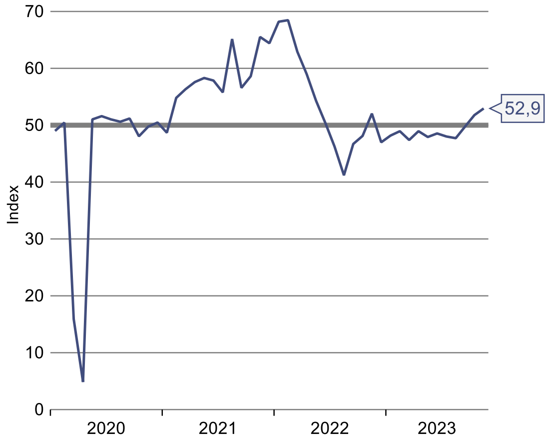
Source: Macrobond, HCOB Economics, S&P Global

Construction: only stagnation left

The Italian construction sector is teetering on the brink of recession. February's HCOB PMI managed to stave off contraction with a modest index of 50.3, but this marks a significant drop of 1.3 points compared to the previous month. Despite a robust 9.2% year-on-year growth in construction output in December reported by ISTAT, the latest PMI suggests a looming downturn in the sector in the coming months.

The sole bright spot among the sub-indices is commercial activity. Residential construction activity took a particularly hard hit this month, with high refinancing costs appearing to have a significant impact. Civil engineering construction saw minimal shrinkage compared to the previous month, maintaining its growth trajectory.

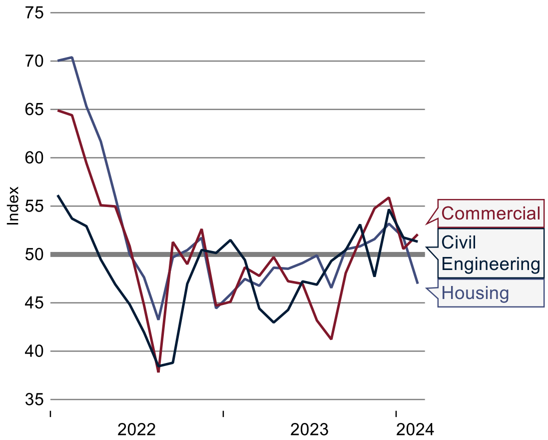
HCOB Italy Construction PMI, Activity (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

A stagnant construction sector is grappling with high prices. Input costs in the Italian construction sector continue to rise as if there were a surge in demand. Subcontractor rates are also on the rise, albeit with slightly reduced growth compared to the previous month.

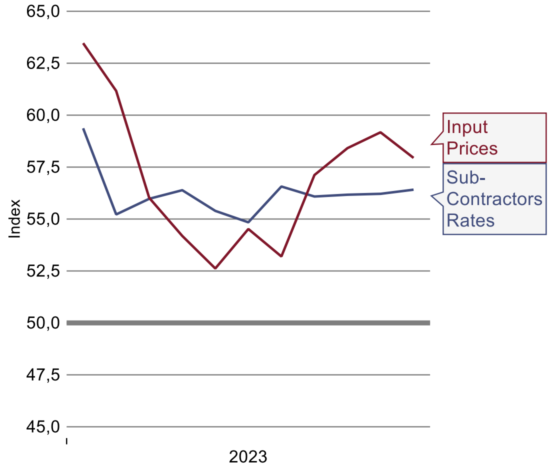
HCOB Italy Construction PMI, Activity by sector (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

The Italian construction sector is optimistic about the future for now. While new orders have reached a plateau, there is notable optimism in employment, which has improved further from a strong previous month. Future activity remains above its historical average. However, with interest rates expected to decline later than anticipated and ongoing disruptions in the Red Sea, optimism may soon fade.

HCOB Italy Construction PMI (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

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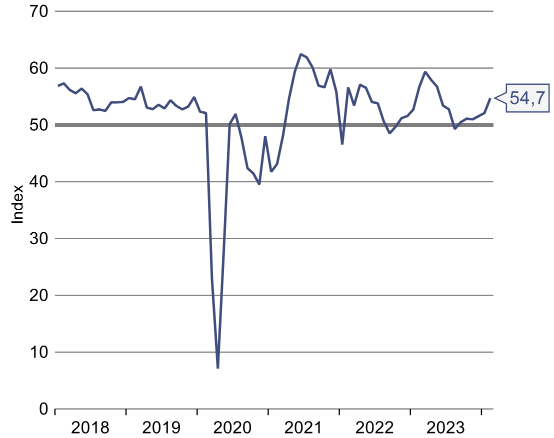
Spain

Services: foreign countries dampen momentum somewhat

Spain keeps building on the growth path. The HCOB PMI for the services sector has experienced an upward surge compared to the previous month. Analogous to the improvements in the manufacturing sector, the momentum in services also stems from increased domestic demand. It appears that Spain is currently undergoing a demand-driven upswing. Our HCOB Nowcast, which incorporates PMIs, anticipates robust first-quarter growth. This underscores Spain's resilience, especially considering last year's stable economic expansion. However, impulses from abroad remain restrained.

HCOB Spain Services PMI, Output Index (Feb 2024)

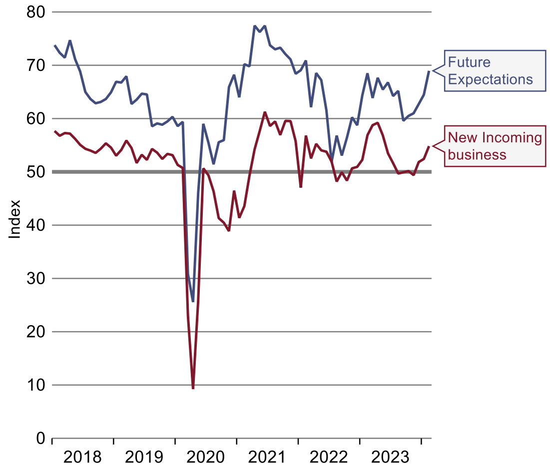


Source: Macrobond, HCOB Economics, S&P Global

Increased business activity bodes well for employees. In the current situation, companies are seeking to hire personnel to handle new orders and anticipate the upcoming increased activity. Certain companies are facing difficulties in locating appropriate staff, likely stemming from the restricted availability of skilled personnel.

Unfortunately, the upswing also has its drawbacks, as seen in the price analysis. Input prices for companies are rising rapidly due to several factors. Employees are demanding higher wages due to increased inflation. Additionally, some companies report increased transportation and energy costs. The latter may be linked to the government ending the reduction of value-added tax on electricity bills in January. In this environment, companies are attempting to pass on the costs to customers. The associated prices charged index has once again grown at an accelerated pace, reaching a one-year high. We expect inflation in Spain to persist sticky in 2024.

HCOB Spain Services PMI (Feb 2024)

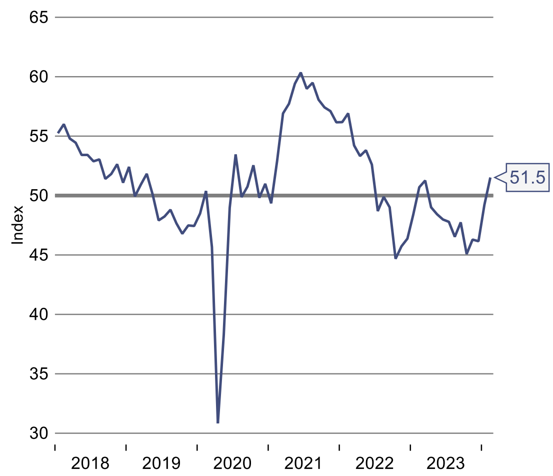


Source: Macrobond, HCOB Economics, S&P Global

Manufacturing: light at the end of the tunnel

The Spanish manufacturing sector appears to be breaking free from the downward trend. Output, following its broad stabilisation at the turn of the year, experiences further enhancement, growing for the first time since April 2023. And driven by a surge in domestic demand, order inflows indicate growth for the first time in 11 months. On the contrary, a growth impulse is yet to materialize in the overall foreign environment due to the economic weakness of key trading partners. The associated index for new export orders continues to show contraction, albeit at a slower pace.

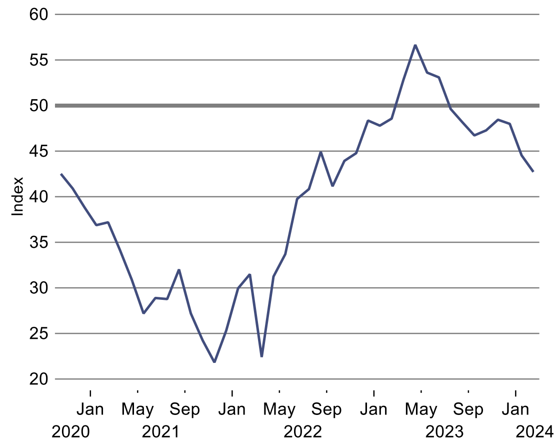
HCOB Spain Manufacturing PMI (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

In tandem with the improved order situation, production has also rebounded. After nine months of continuous contraction, the corresponding output index signals mild growth for the first time. In parallel with the positive developments in the consumer goods sector, the capital goods industry has grown for the first time in eight months. The development has been propelled by the expansion of production and an influx of new orders, leading to a boost in output expectations.

HCOB Spain Manufacturing PMI, Suppliers' Delivery Times (Feb 2024)

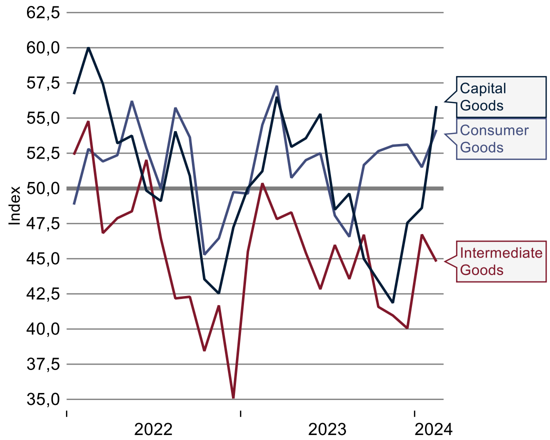


Source: Macrobond, HCOB Economics, S&P Global

Challenges persist in the Red Sea, disrupting global trade routes and leading companies to grapple with longer delays in delivery times. As a consequence, businesses were compelled to tap into existing inventories to meet heightened production demand. Although freight costs contribute only a modest fraction to input costs, input prices have edged upward for the first time in a year.

Manufacturers are becoming optimistic about the future. Buoyed by production and new orders, hiring and purchasing activity have returned to the growth zone. The newly created jobs align with the heightened business expectations of manufacturers, which have improved significantly and now exceed the long-term historical average.

HCOB Spain Manufacturing PMI, Sectoral Output (Feb 2024)



Source: Macrobond, HCOB Economics, S&P Global

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FINANCIAL INDICATORS

Forecasts

Forecasts of Hamburg Commercial Bank

	05.03.2024	31.03.2024	30.06.2024	30.09.2024	31.12.2024	31.03.2025
Interest rates						
USA						
fed funds (Target rate) (%)	**5,50**	5,50	5,25	4,75	4,75	4,75
SOFR (%)	**5,31**	5,30	5,05	4,55	4,55	4,55
2 year Treasury	**4,54**	4,30	4,20	4,40	4,60	4,70
5 year Treasury	**4,13**	4,65	4,55	4,45	4,30	4,30
10 year Treasury	**4,13**	4,15	4,00	4,20	4,40	4,55
2 year Swap rate (SOFR) (%)	**9,28**	4,20	4,10	4,30	4,50	4,60
5 year Swap rate (SOFR) (%)	**8,30**	4,55	4,45	4,35	4,20	4,20
10 year Swap rate(SOFR) (%)	**8,17**	4,05	3,90	4,10	4,30	4,45
Eurozone						
Tender rate (%)	**4,50**	4,50	4,25	4,00	4,00	4,00
Deposit rate (%)	**4,00**	4,00	3,75	3,50	3,50	3,50
3 month Euribor (%)	**3,94**	3,90	3,80	3,70	3,80	3,80
2 year German Bond (%)	**2,84**	2,50	2,30	2,55	2,70	2,90
5 year German Bond (%)	**2,35**	2,25	2,10	2,40	2,55	2,75
10 year German Bond (%)	**2,31**	2,15	2,00	2,30	2,50	2,70
2 year Swap rate (%)	**3,19**	3,05	2,85	3,10	3,25	3,45
5 year Swap rate (%)	**2,71**	2,80	2,65	2,95	3,10	3,30
10 year Swap rate (%)	**2,62**	2,65	2,50	2,80	3,00	3,20
Exchange rates						
Euro/US-Dollar	**1,09**	1,10	1,12	1,14	1,15	1,17
Euro/GBP	**0,85**	0,86	0,87	0,88	0,89	0,88
US-Dollar/Yen	**150,09**	144,00	139,00	135,00	131,00	131,00
US-Dollar/Yuan	**7,20**	7,25	7,20	7,15	7,10	7,10
Oil price						
Öl (Brent), USD/Barrel	**85,82**	75	80	75	70	70
Stock markets						
Dax	**17698**	17900	18300	18150	18200	18300
Stoxx Europe 600	**496**	510	525	510	525	530
S&P 500	**5079**	5200	5300	5400	5500	5400

Source: Bloomberg, Hamburg Commercial Bank Economics

GDP forecasts (in %)	2023	2024	2025	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
World	3,0	2,9	2,7							
USA	2,5	1,8	1,3	1,4	-0,1	0,8	1,1	1,9	1,4	1,7
China	5,6	3,7	3,5	0,8	0,8	0,8	0,8	0,9	0,9	0,9
Eurozone	0,5	0,8	1,6	0,2	0,5	0,2	0,4	0,4	0,5	0,5
Germany	-0,2	0,5	1,8	0,0	0,5	0,6	0,5	0,4	0,4	0,4
France	0,5	1,6	1,2	0,8	0,3	0,3	0,3	0,3	0,3	0,3
Italy	0,6	0,9	1,1							
Spain	1,5	1,4	2,0							

Source: Macrobond, IWF, Hamburg Commercial Bank Economics

Hamburg Commercial Bank's forecasts are reviewed approximately every six weeks and adjusted if necessary. Adjustments at shorter intervals are possible. A detailed presentation of the forecasts and changes to the forecasts can be found in the publication Financial Market Trends. From the perspective of a euro investor, yields on foreign bonds such as US government bonds may rise or fall as a result of currency fluctuations. Note: Forecasts are not a reliable indicator of future performance

Hamburg Commercial Bank

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