

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Eurozone PMI[®]

Eurozone business activity returns to growth in January

Key findings:

HCOB Flash Eurozone Composite PMI Output Index⁽¹⁾ at 50.2 (December: 49.6). 5-month high.

HCOB Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 51.4 (December: 51.6). 2-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 46.8 (December: 44.3). 8-month high.

HCOB Flash Eurozone Manufacturing PMI⁽³⁾ at 46.1 (December: 45.1). 8-month high.

Data were collected 09-22 January

The opening month of 2025 saw a renewed rise in private sector business activity in the Eurozone, according to provisional PMI[®] survey data. The rate of expansion was only marginal, however, amid ongoing demand weakness. Signs of improvement in activity led to a near-stabilisation of employment. Meanwhile, input costs rose sharply, with the rate of inflation hitting a 21-month high. In turn, companies also increased their selling prices at a sharper pace.

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, moved back above the 50.0 no-change mark in January and signalled the first rise in business activity in the euro area since August 2024. At 50.2, however, the index was up only slightly from the reading of 49.6 in December and pointed to a marginal increase in private sector output.

Looking at the two broad sectors covered by the release, data showed that the overall expansion in business activity was centred on services. Services activity increased for the second month running in January, albeit only modestly and to a slightly lesser extent than in December. Meanwhile, manufacturing production continued to fall. The rate of contraction remained solid, but eased to the weakest since May last year.

There were signs of improvement in the euro area's largest economy, with business activity in Germany stabilising at the start of the year, ending a six-month sequence of decline. France remained in contraction, but the pace of reduction eased to the weakest since last September. The rest of the Eurozone continued to outperform the largest two economies, seeing a further modest expansion of output, the thirteenth increase in a row. That said, the pace of growth slowed from December.

Limiting the pace of recovery in output across the Eurozone was continued demand weakness. **New orders** decreased for the eighth consecutive month, albeit only slightly and to the smallest degree since August last year. As was the case with output, a rise in services new business contrasted with an ongoing decline in the manufacturing sector.

Efforts to secure new orders continued to be hindered by particular demand weakness in international markets. **New export orders** (which include intra-Eurozone trade) have decreased continuously on a monthly basis for almost three years, and the rate of decline remained solid in January despite easing to a six-month low. International new business was down across both monitored sectors.

Employment

Signs of improvement in business activity meant that **staffing levels** neared stabilisation at the start of the year. Employment decreased for the sixth consecutive month, but only marginally. The fastest increase in workforce numbers in the service sector for six months was almost sufficient to cancel out a marked reduction in manufacturing employment. Germany and France

posted further reductions in employment, while the rest of the euro area continued to register job creation.

As has been the case in each month since April 2023, **backlogs of work** were reduced in January. Companies lowered outstanding business at a solid pace, but the rate of depletion eased to an eight-month low.

Prices

A sharp and accelerated increase in **input costs** was recorded in January. The rate of inflation quickened for the fourth month running and was the steepest since April 2023. The rise in input prices was also faster than the series average. Although manufacturing input costs rose for the first time in five months, the rate of inflation in the sector was dwarfed by that seen in services where the latest rise was substantial. In fact, the increase in services input costs was the most pronounced in nine months.

The pass through of higher cost burdens to customers meant that **output prices** rose further at the start of the year. Here too the pace of inflation quickened from December, and was at a five-month high. Charge inflation was led by Germany, where the rate of increase was the fastest since February 2024. The rest of the Eurozone also saw the pace of output price inflation quicken, while selling prices in France decreased for the first time in almost four years.

Inventories and supply chains

The ongoing deterioration in manufacturing business conditions was reflected in data on purchasing activity and inventories. Companies reduced **input buying** for the thirty-first successive month, albeit to the least marked extent since last May. Weaker declines in both **stocks of purchases** and **finished goods** were also signalled in January. Meanwhile, **suppliers' delivery times** continued to lengthen marginally.

Outlook

Business confidence was broadly stable at the start of 2025, with companies remaining optimistic that output will increase over the coming year. Sentiment was still weaker than the series average, however. There were contrasting trends at the sector level as manufacturing optimism strengthened to a seven-month high, but services confidence dipped. Sentiment in Germany rose sharply, while confidence at French firms was only just inside positive territory. Strong optimism was signalled in the rest of the Eurozone.

Comment

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

"The kick-off to the new year is mildly encouraging. The private sector is back in cautious growth mode after two months of shrinking. The drag from the manufacturing sector has eased a bit, while the services sector continues to grow moderately. Germany played a major role in improving the eurozone economy, with the composite index jumping back into expansionary territory. In contrast, France's economy remained in contraction."

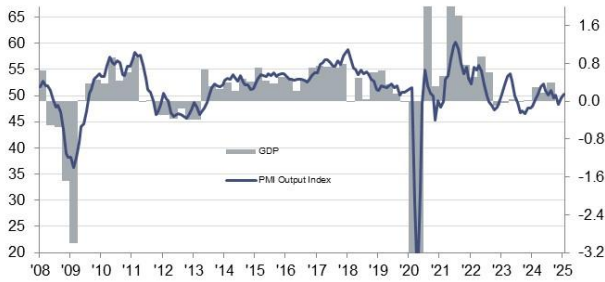
"In a surprising twist, employment in the service sector increased more robustly than in December, when it barely grew. It's also encouraging that services incoming new business, which had either shrunk or broadly stagnated over the last four months, returned to growth. However, the situation remains fragile as outstanding business shrank again, and the same goes for new export business, which includes tourism."

"The manufacturing sector is still in recession, but the pace of decline eased a bit. The sector continues to shed staff rapidly, and new orders are falling too. On the flip side, companies are much more optimistic about the future, envisioning higher output a year from now. This might be an unexpected Trump effect or due to the view that the bottom has been reached after a near two-year recession."

"Ahead of the ECB meeting next week, news on the price front is not encouraging. Cost inflation has increased in the services sector, which ECB president Christine Lagarde has said to monitor closely. Selling prices in the sector have risen at a similar rate to the previous month. Worryingly, input prices in manufacturing have increased, ending four months of stable or decreasing costs. This higher price pressure might be due to the weaker euro and the increased CO2 tax in Germany. In the services sector, it's likely due to wage increases, which rose in the eurozone at the highest rate since the euro's inception during the third quarter of 2024, according to Eurostat. However, given the weak state of the economy, the ECB will likely stick to its gradual pace of cutting interest rates, for the time being."

-Ends-

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



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

HCOB Eurozone Manufacturing PMI
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

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Note to Editors

Final January data are published on 3 February for manufacturing and 5 February 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 | 0.1 | 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.

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S&P Global (NYSE: SPGI)

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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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