

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

PMI rises to two-year high as contractions in output and new orders ease

Key findings:

HCOB Eurozone Manufacturing PMI at 47.6 (Jan: 46.6). 24-month high.

HCOB Eurozone Manufacturing PMI Output Index at 48.9 (Jan: 47.1). 9-month high.

Factory production edges closer to stabilisation as demand drag fades

Data were collected 10-21 February

The euro area's manufacturing sector remained in contraction during February, but a two-year high in the headline HCOB PMI[®] signalled that the industrial downturn was at its least severe since early-2023. In fact, factory production came close to stabilising, with reductions in new orders – both total and from abroad – at their softest in nearly three years. Companies became less aggressive with pre-production inventory and purchasing cutbacks, while manufacturing growth expectations were among their most optimistic since Russia's full-scale invasion of Ukraine at the start of 2022.

That said, factory job losses intensified, with employment falling at its fastest rate in four-and-a-half years. Input cost inflation also ticked up to a six-month high, although the latest survey results signalled a certain difficulty among firms when trying to pass on higher expenses as output charges fell marginally.

The **HCOB Eurozone Manufacturing PMI**, a measure of the overall health of eurozone factories compiled by S&P Global, rose to 47.6 in February. This was up from 46.6 at the start of the year and its highest level in two years, signalling the smallest deterioration in the health of the euro area manufacturing industry since early-2023.

Manufacturing PMI readings at the eurozone nation level revealed pick-ups in most cases. Germany, France, Italy and Austria, while still in contraction, posted softer rates of decline during February. Factory operating conditions in the Netherlands stabilised after a seven-month spell of deterioration, while Ireland recorded a stronger expansion. Meanwhile, Spain saw posted a decline in the health of its manufacturing industry for the first time in just over a year.

Euro area manufacturing production came close to stabilising midway through the first quarter, declining at a mild pace that was the softest in nine months. February's much reduced rate of contraction, particularly when compared with the end of 2024, reflected a diminished drag from demand. New orders received by eurozone factories fell at the weakest rate in almost three years. This was also true for new business from abroad*.

Euro area manufacturers were less aggressive with their purchasing reductions in February. Input buying volumes fell, but to the softest extent in two-and-a-half years, while stocks of purchases decreased to the slowest degree since last August.

Backlog clearances continued throughout the latest survey period, although progress slowed. The rate at which outstanding orders were depleted was the least marked since July 2022. Eurozone factories continued to cut their workforces, however. The rate of job shedding even accelerated, reaching its most substantial in four-and-a-half years.

Cost pressures facing eurozone factories intensified midway through the first quarter as the rate of input price inflation quickened to a six-month high. The latest data implied that these greater expenses were absorbed by companies as output charges were discounted marginally since January.

Lastly, the outlook for factory production over the next 12 months remained positive, with eurozone manufacturers predicting growth. Furthermore, the level of optimism was among the highest seen since Russia's full-scale invasion of Ukraine three

years ago.

*Includes intra-eurozone trade

Countries ranked by Manufacturing PMI: February

Ireland	51.9	12-month high
Netherlands	50.0	8-month high
Spain	49.7	13-month low
Italy	47.4	5-month high
Austria	46.7	24-month high
Germany	46.5 (flash: 46.1)	25-month high
France	45.8 (flash: 45.5)	9-month high

*Greece Manufacturing PMI published 4 March

Comment

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

"It's still too early to call it a recovery, but the PMI hints that the manufacturing sector might be finding its footing. New orders are falling at the slowest pace since May 2022, and production is edging closer to stabilising. So, after almost three years of recession, we could see a bit of growth in the coming months. A quick formation of a government in Germany, political stability in France, and a deal with the US on key tariff issues would definitely help.

"Job cuts sped up in February, but it's not uncommon for layoffs to continue even after a recession ends. So, this doesn't necessarily mean a recovery is far off.

"As for the four big eurozone countries, Spain is still showing growth in production, but its Manufacturing PMI, which has been doing rather well for the past three years, dipped below the 50 mark due to declining new orders.

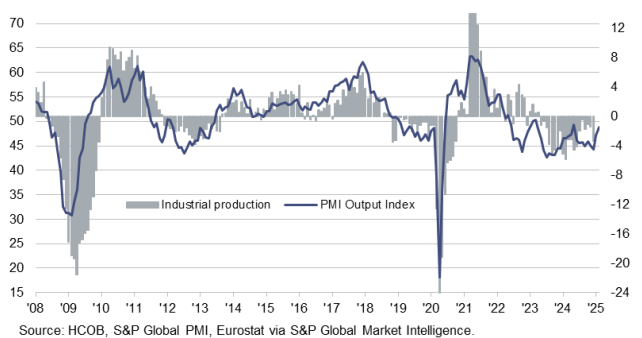
"Most companies are staying optimistic about the future. The confidence index is just above the long-term average. This is surprising considering the tariff threats from the US, but companies know that a recession is usually followed by a recovery. There are also signs that Russia's war against Ukraine might end this year, and the expected political stabilisation in Germany is certainly a positive element, too."

-Ends-

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



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



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Note to Editors

The HCOB Eurozone Manufacturing 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, totalling around 3,000 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 are calculated by weighting together the country indices using national manufacturing annual value added*.

The headline figure is the Manufacturing Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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.

Flash data were calculated from 89% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.2 in absolute terms).

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

Hamburg Commercial Bank AG

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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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