NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 1000 CET (0900 UTC) 5 February 2025

HCOB Eurozone Composite PMI®

Eurozone output rises slightly at start of 2025

Key findings:

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

HCOB Eurozone Services PMI Business Activity Index at 51.3 (Dec: 51.6). 2-month low.

Economy returns to growth, but sustained fall in new business suggests fragile recovery

Data were collected 9-28 January 2025

The euro area economy was able to eke out growth in January, marking the first month of expansion since August last year, but the pace of expansion was only marginal overall. A sustained (albeit softer) reduction in total new business inflows suggested that the rejuvenated upturn was fragile and primarily achieved through the completion of outstanding orders. Euro area companies were also challenged by a pick-up in cost pressures, with input prices rising at the fastest rate since April 2023.

Eurozone businesses looked towards the 12-month outlook with a greater sense of optimism as growth expectations were their strongest since July 2024. The improvement in confidence was accompanied by a near-stabilisation of employment.

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 – posted above the critical 50.0 level that separates growth from decline during January, rising from 49.6 in December to 50.2. As a result, this indicated the first monthly increase in private sector business activity since August last year. A slower fall in factory production was central to January's overall expansion, sector data showed, as services activity posted a slightly softer rise on the month.

Spain was again the main growth engine of the single-currency market, national PMI data revealed, although output grew at a weaker rate than at the end of 2024. However, a key reason behind the broader upturn was Germany, which saw its best monthly performance since last May. Still, with an index reading of 50.5, January's expansion was only marginal. Meanwhile, Italy's economy was again virtually stagnant, and France endured a fifth successive contraction in private sector business activity.

Output growth was achieved at the start of the year despite an eighth successive decline in new business inflows. A marked drag on sales came from exports*, which fell at a considerably stronger pace than that seen for order books in aggregate. That said, total new business decreased only marginally overall and to the softest degree in the current sequence.

A sustained reduction in demand for eurozone goods and services implied that activity growth was driven by work on existing business. Backlogged orders fell for a twenty-second month in a row at the start of 2025, with both manufacturers and service providers clearing outstanding work.

A near-stabilisation of employment was also a boost for activity in January. Although workforce numbers across the euro area fell, they did so to just a marginal extent. Sector data indicated that job losses were confined to manufacturing as services firms saw a slightly stronger rise in net employment at the start of 2025.

Eurozone companies looked to the future with greater optimism in January. The pick-up in positive sentiment meant that firms' growth expectations were their most robust since July 2024. Although, confidence was weak when compared against the long-term average. Notably, manufacturers were more bullish than services companies for the first time in three years.

Turning to prices, January survey data signalled an intensification of cost pressures across the eurozone. The rate of input price inflation accelerated to a 21-month high and was above the long-run series trend. Both monitored sectors recorded stronger rises in their operating expenses at the beginning of the year. Subsequently, euro area firms raised their prices charged more aggressively. Output prices rose at the quickest pace in five months.

includes intra-eurozone trade.

Countries ranked by Composite PMI Output Index: January

Spain	54.0	2-month low
Germany	50.5 (flash: 50.1)	8-month high
Italy	49.7	Unchanged
France	47.6 (flash: 48.3)	3-month high

Ireland Services PMI is released 6th February

HCOB Eurozone Services PMI®

The **HCOB Eurozone Services PMI Business Activity Index** signalled another monthly increase in services output during January. At 51.3, the measure was only slightly below December's 51.6, suggesting that December's modest rise was followed by another similarly sized expansion as 2025 got underway.

January survey data indicated an improvement in demand conditions for eurozone services companies as new orders rose for a second month in a row. The rate of increase accelerated slightly but remained weak. Sales growth was domestic driven as the latest survey data showed new export business decreasing, albeit more slowly.

Service providers continued to work through their orders pending completion, and to a slightly quicker degree than in December. A faster rate of reduction in backlogs came amid stronger hiring activity. Employment growth picked up from that seen at the end of 2024.

Inflation remained stubborn in January. Operating costs for services companies rose at the steepest pace in nine months, although selling price inflation held steady, matching that seen in December (which was the strongest since May 2024).

Eurozone services companies remained positive towards the 12-month outlook for activity, although growth projections were fractionally weaker than at the end of last year and well below the long-term average.

Comment

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

"The slow pace of growth in the services sector, which was evident almost all of last year, continued at the start of 2025. Putting it more positively, growth at service companies played a crucial role in keeping the eurozone economy in expansion over the past year. Sluggish, but slightly accelerating growth in new orders and employment gives hope that this sector will gain a bit more momentum in the first quarter of this year.

"Costs in the services sector rose at a faster rate in January. The above-average wage increases of recent months are obviously playing a role here. In Germany, CO2 taxes were also raised at the turn of the year. This isn't great news for the ECB, which is monitoring inflation in the service sector very closely, as it's proving to be very stubborn. In this respect, the ECB did well to lower interest rates by only 25 basis points at the end of January instead of taking a more aggressive approach.

"The services outlook is modest. The index for business expectations fell slightly and has been below the historical average since mid-2024. Given the many political uncertainties, particularly the new elections in Germany and the fragile government in France, this isn't surprising. No major growth leaps are expected in this sector for now.

"When comparing the Composite PMIs among the four largest eurozone countries, Germany ranks second. Last year, Germany and France repeatedly took the back seat, while Italy found itself in the unusual position of being more dynamic than its two major economic partners. In January, however, Italy showed no progress, while Germany crossed the 50-point mark for the first time in seven months. However, this will most likely not mark the beginning of sustainable growth, as Germany also needs robust growth in the eurozone as a whole. The situation is currently weak, though, as economic output in the currency union stagnated in the final quarter of last year, according to Eurostat."

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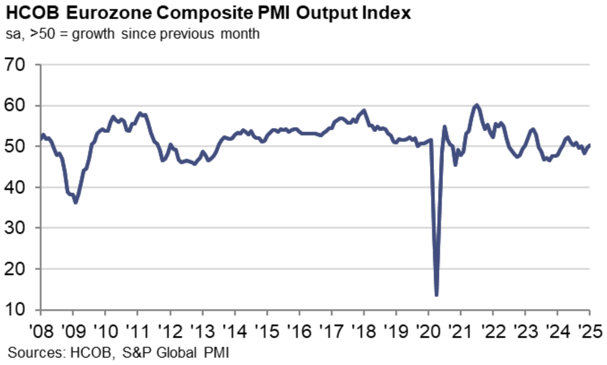

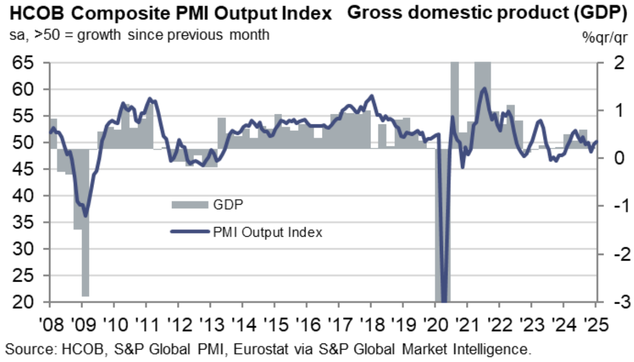

Contact

Hamburg Commercial Bank AG
Dr. Cyrus de la Rubia
Chief Economist
T +49-(0)160-9018-0792
cyrus.delarubia@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence
Chris Williamson
Chief Business Economist
T: +44-207-260-2329
chris.williamson@spglobal.com

Corporate Communications
press.mi@spglobal.com

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 90% 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 87% 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.

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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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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