

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

Eurozone economy expands but skirting close to stagnation

Key findings:

HCOB Eurozone Composite PMI Output Index at 50.2 (Apr: 50.4). 3-month low.

HCOB Eurozone Services PMI Business Activity Index at 49.7 (Apr: 50.1). 6-month low.

Eurozone economy sees another marginal rise in activity as demand remains in decline

Data were collected 12-27 May 2025

The eurozone economy eked out another expansion in May, although the pace of growth slowed again. Business activity was restrained by continued weakness in demand for goods and services, limiting employment gains and pushing firms to continue running down backlogs of work. While business confidence ticked higher, it remained relatively subdued.

Eurozone inflation meanwhile cooled, although this was in large part due to falling costs and charges in the manufacturing sector.

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 – fell to 50.2 in May, from 50.4 in April. Although this marked a fifth successive monthly reading above the 50.0 level and therefore in expansion territory, it pointed to an upturn that was only fractional overall and the softest since February.

Manufacturing was the eurozone's primary engine for growth as services activity decreased in May for the first time since last November.

Of the four largest euro area economies, the southern nations of Italy and Spain registered growth in private sector output. Italian business activity rose at the fastest pace in over year, whereas Spain's upturn was the slowest in 17 months. The French economy moved closer to stabilisation, posting its softest decline in nine months, while Germany registered the first decline in five months.

Restraining eurozone growth was a further decrease in new business intakes, extending a period of falling sales that began in June 2024. That said, the contraction was only mild overall. There was no support from export* markets, with the latest survey data signalling a thirty-ninth successive reduction in new work received from non-domestic customers.

To compensate for lower volumes of incoming new work, eurozone companies made additional inroads to backlogged orders. The rate of depletion was moderate and even quickened slightly. Employment levels across the euro area private sector increased, albeit only fractionally. Services firms drove hiring as factory workforce numbers were reduced.

Looking ahead, May survey data signalled a pick-up in business confidence for the first time since January. Stronger sentiment was registered at both manufacturers and service providers. However, the overall level of optimism remained weak by historical standards.

Inflation across the euro area cooled midway through the second quarter. Input costs rose at the weakest pace in six months, while selling charges rose only modestly and at the slowest rate since October last year. Trends were markedly different at the sector level, however, as falling expenses and prices charged in the manufacturing industry contrasted with still historically elevated rates of increase across the service sector.

*includes intra-eurozone trade.

Countries ranked by Composite PMI Output Index: May

Italy	52.5	13-month high
Spain	51.4	17-month low
France	49.3 (flash: 48.0)	9-month high
Germany	48.5 (flash: 48.6)	5-month low

Ireland Services PMI released 5th June

HCOB Eurozone Services PMI[®]

The **HCOB Eurozone Services PMI Business Activity Index** fell below the 50.0 mark in May for the first time since last November, signalling a renewed downturn in output. Dropping from 50.1 in April to 49.7, the index pointed to a marginal contraction in services activity midway through the second quarter.

New business continued to decline, stretching the current sequence of decrease to four months. The deterioration in demand for services was the most pronounced in six months, albeit modest. A sharper drop in international orders was partly to blame, with export sales also falling to the quickest degree since November last year.

Outstanding business volumes were depleted for a thirteenth successive month in May. This was facilitated to some degree by greater workforce numbers, with services employment rising again. The rate of job creation was the slowest for three months, however.

Muted hiring activity came amid another month of subdued business confidence. Although future output expectations strengthened, they remained weak by historical standards.

There was little movement on the inflation front, with rates of input cost and output charge inflation holding fairly close to those seen in April and remaining above the respective survey averages.

Comment

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

“The eurozone economy has grown for the fifth month in a row, but this interpretation requires a certain amount of goodwill, as the overall index of 50.2 is only marginally above the expansion threshold and the pace of growth also slowed slightly in May. This development is due to a slight decline in activity in the service sector, while manufacturing output showed the same moderate growth as in the previous month. For the rest of the year, we are confident that further key interest rate cuts by the European Central Bank and fiscal stimulus, particularly from Germany, will be sufficient to offset the negative effects of higher tariffs and increased uncertainty.”

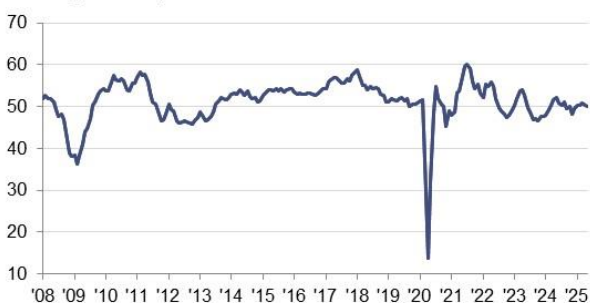
“The European Central Bank will not be entirely satisfied with the PMI price data. In the services sector, which is closely watched for inflation, the rate of increase in sales prices fell again. However, the situation has worsened somewhat with regard to cost increases, which are already relatively high. This will probably not prevent the ECB from lowering key interest rates again at its meeting on June 5, partly because goods prices have fallen slightly and at an accelerated pace.”

“Southern Europe is ensuring that the service sector as a whole is spared a slump. Solid growth in this sector in Italy and the weaker but still positive expansion rate in Spain are helping to offset the mild decline in activity in France and the relatively sharp drop in Germany. If the southern European countries can maintain their momentum to some extent, while German service providers begin to benefit from expansionary fiscal policy, a recovery in this sector is quite possible this year. Confidence that this will happen has increased slightly, but is still not particularly strong by historical standards.”

-Ends-

HCOB Eurozone Composite PMI Output Index

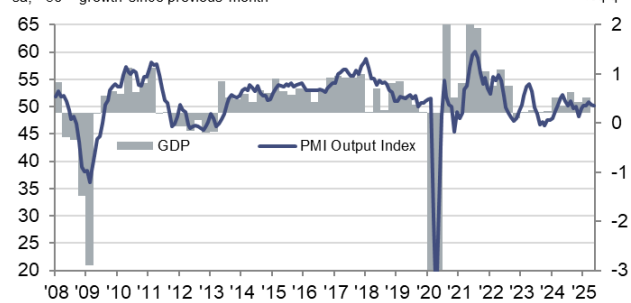
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI

HCOB Composite PMI Output Index Gross domestic product (GDP)

sa, >50 = growth since previous month



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

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

Hannah Brook
EMEA Communications Manager
T: +44-7483-439-812
hannah.brook@spglobal.com
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 83% 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 76% 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 neighbouring 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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