

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

Euro area economic growth remains marginal

Key findings:

HCOB Eurozone Composite PMI Output Index at 50.2 (Jan: 50.2). Unchanged.

HCOB Eurozone Services PMI Business Activity Index at 50.6 (Jan: 51.3). 3-month low.

Eurozone economy expands again, but growth limited to marginal pace

Data were collected 10-25 February 2025

The eurozone economy stayed in expansion during February, although the rate of growth was unchanged from January and therefore only marginal overall. Other data released as part of the HCOB PMI[®] survey suggested the upturn was a fragile one, with demand conditions remaining unsupportive as new business volumes shrank further. Meanwhile, business confidence weakened slightly and workforce numbers declined for a seventh month in succession.

Inflationary pressures across the euro area picked up, with input costs rising at the sharpest pace in almost two years. Firms were subsequently more aggressive with their pricing, raising charges to the most marked extent since April 2024.

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 – remained unchanged at 50.2 in February. Coming in just above the neutral 50.0 mark, the headline figure signalled growth in the eurozone economy, albeit at a rate that was only marginal overall and well below its long-term average (52.4).

Positively, multiple euro area nations contributed to the upturn in February. Of the countries where Composite PMI data are available, four posted expansionary readings. Growth was led by Spain, where a strong and accelerated increase in business activity was registered. The Irish economy also saw faster expansion and Italian output grew for the first time in four months. By comparison, Germany was a laggard, despite the eurozone's largest economy registering a second successive monthly expansion. Lastly, France was a hefty drag as business activity shrank for a sixth straight month and at the steepest pace in over a year.

Eurozone output growth was attained without an accompanying expansion in new orders, latest HCOB PMI data showed, as demand for goods and services decreased in February. Moreover, the decline was slightly quicker than in January. Both manufacturers and service providers reported lower intakes of new work midway through the opening quarter. Export markets failed to provide any impetus as new business received from abroad* continued to shrink.

Backlog reductions continued across the euro area during the latest survey period, extending the current sequence of depletion to just shy of two years. However, the pace of decline was weaker than seen on average over this period. Outstanding orders were cleared by both manufacturers and service providers at similarly modest rates.

Workforce capacity was trimmed once again in February, marking seven months in a row that this has been the case. The extent to which job numbers were cut was mild overall, but nevertheless the joint-fastest since December 2020 (matching October and December 2024). However, lower employment was a trend exclusive to manufacturing as services businesses continued to bolster headcounts.

The latest survey data showed that eurozone companies were optimistic towards the 12-month outlook overall, although growth expectations were slightly softer than in January and below their long-term average. Even compared to the 2024 trend, business sentiment was comparatively weak.

Turning to prices, input costs faced by euro area businesses increased sharply midway through the first quarter. The rate of inflation ticked up from January to its steepest since April 2023. Charges were lifted, with surveyed companies even turning slightly more aggressive with their price-setting as the pace of increase edged up to a ten-month high. The service sector drove inflation across the eurozone, underlying data showed.

**includes intra-eurozone trade.*

Countries ranked by Composite PMI Output Index: February

Spain	55.1	2-month high
Ireland	53.4	3-month high
Italy	51.9	9-month high
Germany	50.4 (flash: 51.0)	2-month low
France	45.1 (flash: 44.5)	13-month low

HCOB Eurozone Services PMI[®]

The **HCOB Eurozone Services PMI Business Activity Index** signalled a third successive monthly expansion in output. However, at 50.6 in February, the measure was down from 51.3 in January to a three-month low, indicating a loss of growth momentum.

Weighing on the strength of the upturn was a renewed drop in new business. For the first time since last November, new orders decreased. Demand for euro area services from non-domestic customers weakened, but to the softest extent in seven months.

A pick-up in activity alongside lower new order intakes facilitated yet another drop in backlogged work in February. Stronger inroads to incomplete business were made, with the pace of depletion at its quickest for just over a year. Eurozone service providers still lifted employment levels, albeit to an extent that was only marginal overall and softer than in January.

Cost pressures remained elevated, with input costs increasing at a rate unchanged from January's nine-month high. In turn, the latest survey data pointed to another historically sharp rise in output prices that was the most substantial for ten months.

Comment

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

"The Eurozone economy has barely grown for two months in a row now, as the mild growth in the services sector is almost fully eaten up by the recession in the manufacturing sector. The good news is that the downturn in the manufacturing sector is softening, which could pave the way for a recovery of the whole economy."

"Ahead of the next ECB meeting, all eyes are on the wage-driven input cost increases given the central bank's emphasis on services inflation. With no sign of input cost inflation abating, it is understandable that there are some voices in the ECB who would like to discuss a pause in rate cuts at the next meeting."

"Service provider's optimism about future activity is falling short of the long-term average, as the environment is strongly marked by political uncertainty in France and Germany as well as a flow of international news which does not encourage consumer spending. At the same time, outstanding business shrank again, which fits into this picture. However, service providers retain some pricing power as selling price inflation has increased compared to January. Overall, the picture is not bleak, but fragile."

"There is a big contrast in service sector performance between Germany and France. Germany's services sector is growing at a moderate pace while in France, activity is shrinking rapidly and much faster than during the months before. This may be the result of an unsolved political crisis in France, while in Germany the elections may raise hope for a stable government to be formed soon."

-Ends-

HCOB Eurozone Composite PMI Output Index

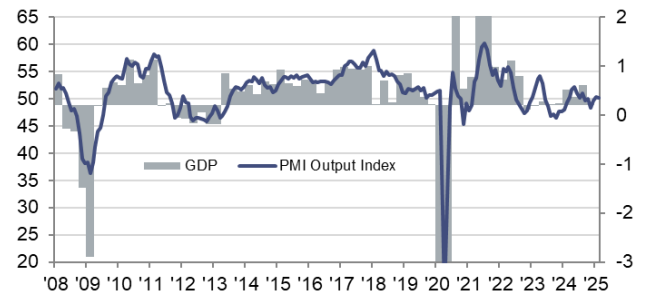
sa, >50 = growth since previous month



HCOB Composite PMI Output Index Gross domestic product (GDP)

sa, >50 = growth since previous month

%qr/qr



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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 85% 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 80% 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

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