

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

Euro area economy expands modestly in March

Key findings:

HCOB Eurozone Composite PMI Output Index at 50.9 (Feb: 50.2). 7-month high.

HCOB Eurozone Services PMI Business Activity Index at 51.0 (Feb: 50.6). 2-month high.

March's faster expansion underpinned by both manufacturing and services

Data were collected 12-26 March 2025

The eurozone private sector economy eked out another expansion in March, rounding off the first quarter of 2025 with a third successive monthly increase in business activity. Albeit the strongest since August 2024, the upturn was only modest overall and weaker than the long-run trend of the survey. Greater output volumes came despite a further contraction in new work intakes, although employment rose for the first time since last July.

Price pressures faded slightly during the latest survey period, with both input costs and output prices rising at their softest rates in 2025 so far.

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 – ticked up to 50.9 in March, from 50.2 in February, marking a third successive month in which the headline figure has posted in expansion territory (a reading above 50.0). Additionally, the index hit its highest level since August last year, signalling the quickest rate of growth in seven months. That said, the expansion was only modest overall and was weaker than the long-run trend of the survey (52.4).

Both manufacturing and services played a role in March's accelerated economic upturn. Goods production increased for the first time in two years, while services activity levels rose at a quicker pace than in February. In both cases, rates of growth were relatively soft.

Most of the euro area countries with Composite PMI data available recorded higher business activity at the end of the first quarter. France was an outlier, posting a seventh successive monthly contraction (albeit one that was slower than previously). Meanwhile, Ireland's economy saw the quickest upturn, with growth here improving to a four-month high, topping Spain by a small margin. More modest expansions were seen in Germany and Italy, although business activity levels at the former rose to the strongest degree in ten months.

March's increase in private sector output was achieved without an accompanying rise in new business, however. As has been the case since last June, demand for eurozone goods and services declined during the latest survey period. Sales levels came close to stabilising, however, with the contraction cooling to a marginal pace that was the weakest over the current downturn. This was despite new export* orders presenting a slightly stronger drag, as they fell at a slightly faster rate than in February.

Spurring growth was a renewed uplift in employment in March. For the first time since July 2024, private sector workforce numbers increased across the euro area. Stronger hiring activity in the service sector came in tandem with a softer rate of job shedding at goods producers. The overall rate of employment growth was the fastest for nine months, but only marginal overall.

Greater staff capacity and a concurrent fall in new business allowed eurozone companies to make further inroads into their backlogs of work during March. The extent to which outstanding orders fell was the fastest for three months.

Turning to prices, inflationary pressures eased at the end of the first quarter. Operating costs rose, predominantly due to higher expenses for services companies, although the overall rate of increase across the private sector was the softest for three

months. Prices charged for eurozone goods and services were lifted, but also to the least marked extent in the year-to-date. This was despite manufacturers raising their charges for the first time in seven months as price setting at service providers turned less aggressive.

Looking ahead, March survey data showed that private sector companies in the eurozone were looking towards the next 12 months with optimism. That said, the level of positive sentiment dipped slightly to a three-month low and remained weaker than the long-run average.

**includes intra-eurozone trade.*

Countries ranked by Composite PMI Output Index: March

Ireland	54.6	4-month high
Spain	54.0	2-month low
Germany	51.3 (flash: 50.9)	10-month high
Italy	50.5	2-month low
France	48.0 (flash: 47.0)	5-month high

HCOB Eurozone Services PMI[®]

The **HCOB Eurozone Services PMI Business Activity Index** ticked higher in March to 51.0, from 50.6 in February, to signal a slightly faster pace of expansion in output.

New business volumes were down marginally again March, as was the case in February. Non-domestic markets were an area of weakness, with export sales falling at a quicker pace. Higher output and lower new orders meant that services companies cleared backlogs at a faster rate. The rate of depletion was the quickest in just over four years.

Eurozone service providers stepped up hiring during March. Employment levels rose for a fiftieth month in a row, with the rate job creation ticking up to its strongest since June last year. Growth expectations cooled on the month, however, to their weakest since November 2024. The level of optimism remained below its historical trend.

Inflation in the service sector eased at the end of the first quarter. Input costs and output charges both saw their slowest rates of increase in four months.

Comment

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

“You can’t really call it growth anymore in the Eurozone’s service sector. Once again, the index is hovering only slightly above the 50-point expansion threshold. New business has even seen a small drop for the second month running, and backlogs of work are continuing their downward trend. In Germany, we’ll likely soon see some indirect boosts in the services sector due to increased spending on infrastructure and defense. But for the Eurozone as a whole, the service sector could face tougher times. That said, rising real wages could help stimulate private consumption, which would especially benefit service providers.

“Inflationary pressures in the service sector eased in March after trending upwards over the past few months. Costs are still rising at a decent clip, but not as rapidly as before. Meanwhile, service providers are holding back on price hikes more than they have in recent months. However, there’s no all-clear for the European Central Bank (ECB) yet since inflation remains historically high. On top of that, the ECB is pointing to increased uncertainty. So, the ongoing debate within the ECB about whether and at what pace to further cut interest rates is pretty understandable.

“At the end of last year, it looked like the Eurozone was heading into a recession, but things have somewhat stabilized at the start of this year. For instance, the Composite PMI was in growth territory for the third consecutive month, albeit just barely. However, US tariffs could quickly throw the Eurozone’s economy off course again. That’s why the fiscal package planned by the Eurozone’s largest economy, which is mainly aimed at supporting the defense and construction industries but could also indirectly benefit the service sector, is a welcome counterweight. It significantly reduces the risk of a downturn across the entire Eurozone.”

-Ends-

HCOB Eurozone Composite PMI Output Index

sa, >50 = growth since previous month

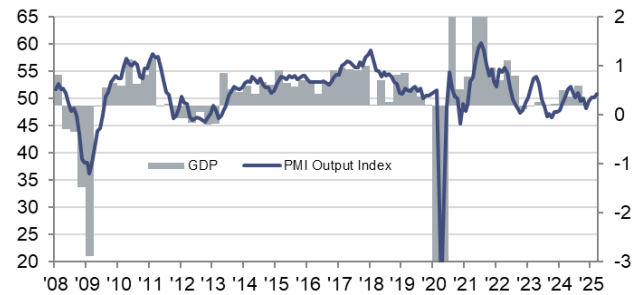


Sources: HCOB, S&P Global PMI

HCOB Composite PMI Output Index Gross domestic product (GDP)

sa, >50 = growth since previous month

%q/q



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

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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 86% 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 79% 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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