

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

Eurozone ekes out growth in February

Key findings:

HCOB Flash Eurozone Composite PMI Output Index⁽¹⁾ at 50.2 (January: 50.2). Unchanged pace of growth.

HCOB Flash Eurozone Services PMI Business Activity Index⁽²⁾ at 50.7 (January: 51.3). 3-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 48.7 (January: 47.1). 9-month high.

HCOB Flash Eurozone Manufacturing PMI⁽³⁾ at 47.3 (January: 46.6). 9-month high.

Data were collected 10-19 February

The Eurozone private sector continued to eke out marginal growth of output during February, according to provisional PMI[®] survey data, with the pace of expansion unchanged from that seen at the start of the year. New orders continued to fall, however, and companies again lowered their staffing levels amid muted demand. Confidence also dipped and was at a three-month low. Meanwhile, the pace of input cost inflation quickened to the fastest in almost two years, with output prices rising at a sharper pace as a result.

Output and demand

The seasonally adjusted **HCOB Flash Eurozone Composite PMI Output Index**, based on approximately 85% of usual survey responses and compiled by S&P Global, was unchanged at 50.2 in February. After signalling a rise in output for the first time in five months during January, the latest data pointed to a sustained but marginal expansion in activity.

Where growth was recorded, the main source was again the euro area's service sector. Services activity increased for the third consecutive month in February, but only modestly and to the weakest extent in this sequence. Manufacturing production, meanwhile, continued to fall, the twenty-third successive month in which this has been the case. That said, the pace of contraction was the weakest since May 2024.

The picture of marginal growth seen at the euro area level masked marked differences between the different parts of the currency bloc. The Eurozone's largest economy – Germany – recorded a second consecutive monthly rise in output, with the pace of expansion quickening to a nine-month high. In contrast, France posted a marked and accelerated reduction in business activity, one that was the most pronounced for almost a year-and-a-half. Meanwhile, the rest of the euro area posted a solid expansion in output.

The slight increase in business activity was recorded in spite of ongoing signs of demand weakness. **New orders** decreased for the ninth month in a row. The pace of decline was modest, but sharper than seen in January. Services new business fell for the first time in three months, joining manufacturing in contraction territory. **New business from abroad** (which includes intra-Eurozone trade) also fell again in February. Although solid, the rate of contraction eased for the third month running to the weakest since May last year.

Employment

After having neared stabilisation in the previous survey period, **employment** fell at a faster pace in February. Staffing levels decreased for the seventh successive month, albeit modestly, as a marked reduction in manufacturing workforce numbers outweighed a slight rise in services employment. In fact, the decline in manufacturing employment was the most pronounced in four-and-a-half years. Excluding the COVID-19 pandemic, the fall was the largest since July 2012. Staffing levels dropped in

both Germany and France, with the pace of job cuts sharper in the latter. Meanwhile, the rest of the Eurozone saw employment increase at the fastest pace in five months.

The fall in employment was registered amid further signs of spare capacity across the euro area. **Backlogs of work** decreased solidly, and to the largest extent in three months. Outstanding business has fallen continuously on a monthly basis for almost two years.

Prices

As has been the case in each month since last October, the pace of **input cost** inflation quickened in February. The latest increase in input prices was the fastest since April 2023 and above the series average. The overall increase in input costs continued to be driven by services, where the rapid pace of inflation was unchanged from January. Manufacturing input prices rose for the second month running and at the fastest pace in six months, albeit one that remained modest overall.

In turn, **output price** inflation also accelerated and was at a ten-month high in February. A solid rise in charges in the service sector contrasted with a marginal reduction in manufacturing selling prices, the fifth in the past six months. Output prices were up markedly in Germany, while France posted renewed inflation following a fall in January. The rest of the euro area also saw selling prices rise.

Inventories and supply chains

Eurozone manufacturers continued to lower their **purchasing activity** in February, in response to weak customer demand. The latest reduction was marked, despite being the weakest for two-and-a-half years. A slower fall in **stocks of purchases** was also recorded, but **stocks of finished goods** declined more quickly than in January. Muted demand for inputs meant that **suppliers' delivery times** shortened for the first time in six months.

Outlook

Although companies in the Eurozone continued to predict growth of business activity over the coming year, **optimism** dipped to a three-month low in February, thus remaining below the series average. Sentiment dropped across both manufacturing and services alike. Strong confidence was again seen in the rest of the Eurozone. Positive expectations in Germany dipped and were below-average, while optimists in France only just outweighed the pessimists.

Comment

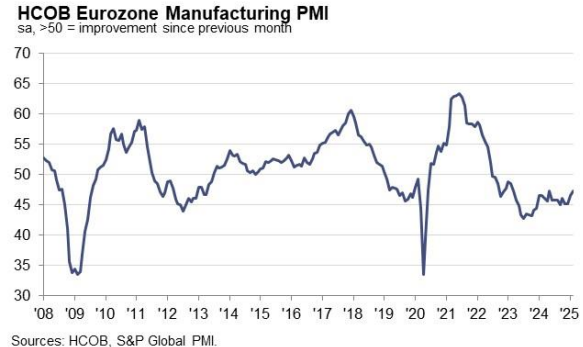
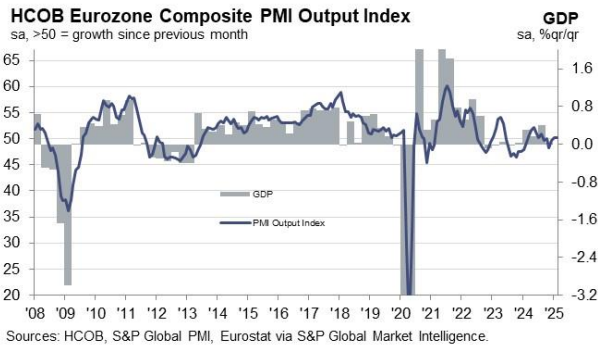
Commenting on the flash PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

“With just two weeks to go before the ECB meeting, the price front is sending bad news. The HCOB PMI price indices for the services sector have risen or remained at a high level. The statements by the ECB President can be interpreted as meaning that inflation can only be considered defeated once the services inflation is under control. The HCOB PMI shows that this is definitely not the case. This is partly due to the fact that wage settlements continue to be above average. Interestingly, it can also be observed that input prices for goods are now rising more sharply. These depend, among other things, on energy prices and, in this context, Isabel Schnabel pointed to the uncertainty, and strongly recommended discussing a pause on interest rates at the next rate-setting meeting.”

“The services sector is showing renewed signs of weakness. After two months of moderate but still visible growth, the rate of expansion has now weakened considerably. This is accompanied by a decline in new orders and an accelerated decline in order backlogs. France is the driving force behind the slowdown in activity in the services sector, where the decline in business activity that has been ongoing since September has accelerated significantly. By contrast, Germany has more or less maintained its modest rate of expansion. Assuming that the political situation has an impact on the performance of the services sector, it can be seen that expectations of a more stable political situation in the future are greater in Germany, where federal elections are on the horizon, than in France, where snap elections could be called at any time from June onwards.”

“Economic output in the eurozone is barely moving at all. The somewhat milder recession in the manufacturing sector is only just being overcompensated for by the barely noticeable growth in the services sector. There is certainly hope for a German government that will be able to act after the elections, which should also provide a positive impetus for the eurozone as a whole. However, this is offset by a relatively unstable situation in France and a US customs policy that is spreading uncertainty. These figures therefore do not yet point to a recovery in the eurozone.”

-Ends-



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Note to Editors

Final February data are published on 3 March for manufacturing and 5 March for services and composite indicators.

The HCOB Eurozone PMI (Purchasing Managers' Index) is produced by S&P Global and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI data.

The average differences between the flash and final PMI index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Composite Output Index ¹	0.0	0.3
Manufacturing PMI ³	0.0	0.2
Services Business Activity Index ²	0.1	0.3

The Purchasing Managers' Index™ (PMI[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI[®] surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact economics@spglobal.com.

Notes

1. The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question “Is the level of business activity at your company higher, the same or lower than one month ago?”
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers’ delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question “Is the level of production/output at your company higher, the same or lower than one month ago?”

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.

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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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