NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Eurozone PMI®

Eurozone output continues to rise as manufacturing returns to growth

Key findings:

HCOB Flash Eurozone Composite PMI Output Index(1) at 50.4 (February: 50.2). 7-month high.

HCOB Flash Eurozone Services PMI Business Activity Index(2) at 50.4 (February: 50.6). 4-month low.

HCOB Flash Eurozone Manufacturing PMI Output Index(4) at 50.7 (February: 48.9). 34-month high.

HCOB Flash Eurozone Manufacturing PMI(3) at 48.7 (February: 47.6). 26-month high.

Data were collected 12-20 March

Provisional PMI® survey data showed that business activity in the Eurozone increased for the third consecutive month in March. The pace of expansion was marginally quicker than in the opening two months of the year, but remained slight nonetheless. Manufacturing production increased for the first time in two years, joining services in growth territory. The overall rise in output was recorded in spite of a further reduction in new orders. Meanwhile, employment stabilised. On the price front, both input costs and output charges rose at slower rates.

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, ticked up to 50.4 in March from 50.2 in February, signalling a third successive marginal monthly expansion in business activity across the euro area. Although only slight, the latest rise was the fastest since last August.

The overall increase in output reflected growth across both manufacturing and services. Service providers posted a rise in activity for the fourth month running, albeit with the pace of expansion easing to the weakest in this sequence. Meanwhile, manufacturing production returned to growth, rising for the first time in two years and to the greatest extent since May 2022.

Growth was sustained in Germany during March, in part thanks to a renewed expansion in manufacturing output. The overall rise was the fastest in ten months. On the other hand, business activity in France decreased for the seventh month running, albeit with the pace of contraction easing from that seen in February. Meanwhile, a further solid increase in output was recorded in the rest of the Eurozone, extending the current sequence of growth to 15 months.

While overall business activity rose for the third month running, companies continued to see **new orders** decline at the end of the opening quarter of the year. New business in the Eurozone has now fallen in each of the past ten months, with the pace of reduction little-changed since February. New orders were down across both manufacturing and services, although the drop in the former was the least marked in the current sequence of contraction that spans almost three years. **New export orders** also decreased. The pace of decline was unchanged from the previous month and the joint-weakest since May 2022.

Employment

With output continuing to grow, Eurozone companies brought an end to a period of job shedding stretching back to August 2024. **Staffing levels** were broadly unchanged in March amid a faster rise in services employment and softer reduction in workforce numbers at manufacturers. The stable picture for employment overall was recorded despite further falls in staffing levels across the euro area’s two largest economies, Germany and France. The rest of the Eurozone posted a solid expansion in workforce numbers, and one that was the most pronounced since June last year.

With firms holding employment broadly steady in March, they were able to keep on top of workloads and deplete **outstanding business**. Backlogs of work have now decreased on a monthly basis throughout the past two years. The latest fall was solid and the fastest in four months.

Prices

The rate of **input cost** inflation softened in March, ending a five-month sequence in which the pace of increase had quickened. The latest rise was the weakest since November last year and slower than the series average. The slowdown in inflation was centred on the service sector, although here the rise was still sharp. Manufacturing input costs increased at a relatively muted pace, but one that was the most marked since last August.

Selling prices also increased at a slower pace at the end of the first quarter, with the pace of inflation the weakest in the year-to-date. Services charge inflation eased, while manufacturing output prices increased for the first time in seven months. Germany posted a softer rise in charges during March, while rates of inflation in France and the rest of the Eurozone were unchanged from February.

Inventories and supply chains

Signs of recovery in the euro area's manufacturing sector led to a less pronounced scaling back of **purchasing activity** during March. The latest fall in input buying was solid, but the weakest since August 2022. Further reductions in **stocks of both purchases and finished goods** were registered. Meanwhile, **suppliers' delivery times** shortened for the second month running and to the greatest extent in nine months.

Outlook

Business confidence dipped for the second successive month in March and remained subdued relative to the series average. Confidence regarding the 12-month outlook for business activity was the lowest since last November amid waning optimism in both manufacturing and services. French companies were pessimistic about the prospects for growth, but German firms were more bullish than in February. Strong confidence was again recorded in the rest of the euro area, albeit with sentiment easing from the previous survey period.

Comment

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

"Just in time with the beginning of spring we may see the first green shoots in manufacturing. While we should not be carried away by a single data point, it is noteworthy that manufacturers expanded their output for the first time since March 2023. It's also encouraging, that the index output has risen for three months straight. This is complemented by a much softer fall in new orders and employment. One could pour some cold water on this development arguing that it's the temporary tariff-related import boom from the US which has driven the improvement in manufacturing. However, given the will of Europe, to invest heavily in defense and infrastructure – in Germany a corresponding historical fiscal package has been approved only last week – hope for a more sustained recovery seems well founded.

"The price development in the services sector, which is very much under scrutiny of the ECB, will be well received by the doves of the monetary authority. Both input costs and selling prices are rising at a slower pace compared to recent months. Lower input cost inflation points to less pressure from wages which are a key ingredient of input costs in the labour intensive services sector. Meanwhile, in manufacturing, price increases for both selling and purchasing remain moderate, helped along by declining energy costs. However, there are still plenty of risks on the ECB's radar, like potential retaliation tariffs from the US, measures to curb goods coming from China, and higher food prices spurred by extreme weather. These factors, coupled with overall uncertainty, make some ECB members hesitant to cut rates too aggressively.

"Interestingly, Germany outperformed its key European trading partner France in March in both manufacturing output and services activity. Still, if we zoom out and look over the past two years, France's industry has only contracted by about 1% since early 2023, while Germany's has dropped by roughly 8%. In this respect, Germany has a lot of catching up potential.

"Business expectations are well below average in the services sector and at average in manufacturing, which is of small wonder given the challenges companies are faced with amid the challenges around tariffs, geopolitical tensions and uncertainties surrounding monetary policy. There is some likelihood, that Europe seizes the opportunity and shows more unity with respect to reforms, defense spending, and completing the capital market union, to name a few things. This could send a clear message that Europe's position as a key business hub is set to strengthen in the years ahead."

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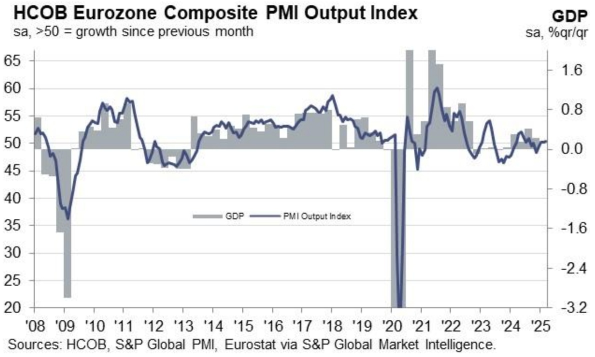

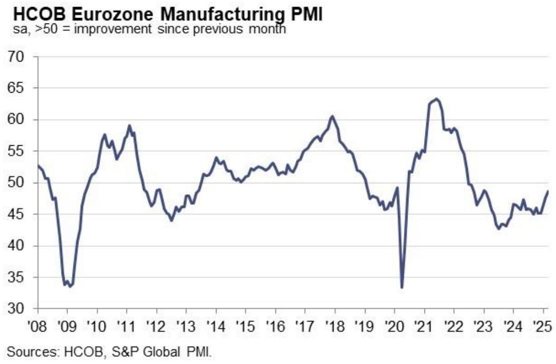

Contact

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
Andrew Harker
Economics Director
T: +44-1491-461-016
andrew.harker@spglobal.com

Corporate Communications
T: +44-796-744-7030
press.mi@spglobal.com

Note to Editors

Final March data are published on 1 April for manufacturing and 3 April 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.

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.

S&P Global (NYSE: SPGI)
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We are widely sought after by many of the world’s leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world’s leading organizations plan for tomorrow, today.

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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