

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Flash Germany PMI[®]

German growth ticks up slightly in August

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 50.9 (Jul: 50.6). 5-month high.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 50.1 (Jul: 50.6). 2-month low.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 52.6 (Jul: 50.6). 41-month high.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 49.9 (Jul: 49.1). 38-month high.

Data were collected 12-19 August.

Business activity rose for the third straight month across the German private sector in August, with the pace of growth ticking up to the quickest since March but remaining only modest, according to the latest 'flash' HCOB PMI[®] survey data. The upturn in output continued to be led by the manufacturing sector, which recorded its strongest increase in production for almost three-and-a-half years. By contrast, there was a further modest fall in employment amid a lack pressure on capacity, and a slight softening of firms' growth expectations. Rates of input cost and output price inflation meanwhile ticked up from the recent lows seen in July.

The **HCOB Flash Germany Composite PMI Output Index** came in at 50.9 in August, up slightly from 50.6 in July. The latest reading was the highest recorded since March, although it was still indicative of only a modest rate of expansion and below the long-run average (52.6). Solid and accelerated production growth in the manufacturing sector (index at 52.6), which was supported by increased factory new orders, compared with near-stagnant levels of activity in the service sector (index at 50.1).

August saw another marginal rise in the level of **new business** across the German private sector, in line with the trend seen in each month since June. The latest increase was driven exclusively by the manufacturing sector, however, with service providers recording a slight drop in intakes of new business following a brief rise seen at the start of the third quarter. Manufacturing new orders grew at a solid rate that was the quickest seen since March 2022, despite a first – albeit only slight – decrease in factory export sales for five months.

Employment fell modestly across the eurozone's largest economy in August, extending a sequence of decline that stretches back to June last year. The rate at which workforce numbers fell was quicker than the month before, reflecting deeper job cuts in the goods-producing sector. This masked a slight pick-up in the pace of hiring in the service sector, where employment levels have risen continuously on a monthly basis since the start of the year.

Latest data meanwhile showed another broad-based decrease in **backlogs of work** across the German private sector. Furthermore, the pace of depletion was solid and the quickest for three months. A marked and accelerated decrease in outstanding business in the services economy compared with only a modest drop in manufacturing, which was in fact the weakest in the current sequence of decline that began in mid-2022.

After reaching a six-month high in July, German **business expectations** retreated somewhat in August. Although firms generally remained optimistic about the year-ahead outlook, with sentiment still slightly above its historical trend level, confidence ticked down for the first time in four months to its lowest since May. The result owed entirely to weaker service sector expectations, with manufacturing sentiment edging up from the month before.

Turning to prices, August's flash survey indicated upticks in the rates of both **input cost** and **output price** inflation, which had registered at their lowest levels for ten and nine months respectively in July. The rise in overall input prices, which was the steepest recorded since March but still relatively muted by historical standards, was driven principally by increased cost

pressures in the service sector. Output charge inflation was at a three-month high, although it likewise remained below its long-run average.

Comment

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

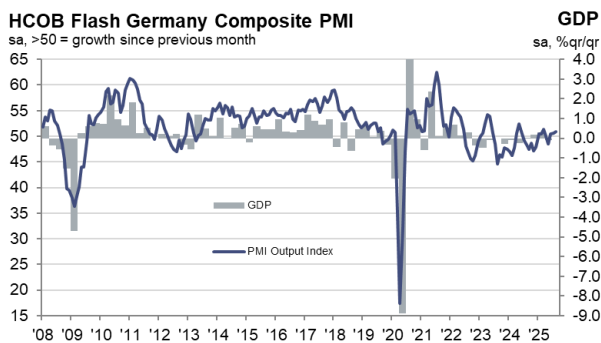
“Germany’s economy has been growing throughout the summer so far, and the pace of expansion has even picked up slightly. While we’re talking about modest gains here, this trend signals resilience – considering the headwinds like U.S. tariffs, geopolitical uncertainty, and relatively high long-term interest rates.

“The recovery is being driven primarily by the manufacturing sector, where output has now increased for six consecutive months, with the latest data showing a noticeable uptick. Particularly encouraging is the surge in new orders, which saw their strongest growth since March 2022. That said, a certain degree of caution remains among businesses. Stocks of inputs continue to decline sharply, which aligns with reduced purchasing activity. This suggests companies are still playing it safe.

“In manufacturing, firms have been cutting jobs at a faster pace. That’s clearly bad news for those affected, and it could be seen as a negative economic signal. But it’s likely part of a broader effort to boost productivity and sharpen competitiveness. At least in the short term, this seems to be working – output has risen significantly.

“Input prices in manufacturing have fallen, helped by lower oil prices and a relatively strong euro. On the sales side, manufacturers have passed on some of these cost savings to their customers. In contrast, the services sector saw the opposite trend in August: costs rose more sharply – likely due to rising wages – and companies had enough pricing power to pass parts of those increases on to their clients.”

-Ends-



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Note to Editors

Final August data are published on 1 September for manufacturing and 3 September for services and composite indicators.

The HCOB Germany PMI® (Purchasing Managers' Index™) is produced by S&P Global and is based on original survey data collected from a representative panel of around 800 companies based in the German manufacturing and service sectors. The flash estimate is based on around 85% 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	0.4
Manufacturing PMI ³	0.0	0.3
Services Business Activity Index ²	-0.1	0.6

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

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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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