

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Services PMI®

Business activity continues to rise in January, but employment posts renewed fall

Key findings:

HCOB Germany Services PMI Business Activity Index at 52.4 (Dec: 52.7). 4-month low.

HCOB Germany Composite PMI Output Index at 52.1 (Dec: 51.3). 2-month high.

Employment falls at joint-fastest rate since June 2020

Data were collected 12-27 January.

The upturn in Germany's service sector continued into the new year, albeit with the rate of business activity growth easing to its lowest since last September, the latest HCOB PMI® survey results showed. Firms reported improved demand conditions and were much more optimistic about the outlook than the month before.

Even so, January saw a renewed decline in employment across the services economy, with workforce numbers falling at the joint-quickest rate since the pandemic.

Firms meanwhile faced a sharp increase in costs and raised output charges accordingly. The rates of input and output price inflation were the highest recorded since early 2025.

The headline **HCOB Germany Services PMI® Business Activity Index** is based on a single question asking how the level of business activity compares with the situation the month before. A reading above 50.0 signals expansion, and the further above 50.0 the faster the rate of growth signalled. At 52.4 in January, the index pointed to a fifth successive month of growth. However, this latest reading was down from 52.7 in December and the lowest since September last year.

As with activity, inflows of new business rose at a slightly slower rate than the month before. There were reports from surveyed companies of new clients being won and generally stronger demand, including from abroad. New export business rose again at the start of the new year after returning to growth for the first time in a year-and-a-half in December, with the rate of expansion accelerating to the quickest since May 2023.

Service providers reported a decrease in backlogs of work for a third successive month in January. The pace at which outstanding business fell was the quickest since last September, although it was still only modest.

The sustained decline in backlogs was indicative of a lack of pressure on business capacity, and service providers scaled back workforces during January. There were some reports from surveyed firms of redundancies and vacancies being left unfilled, but there were also others that remarked on difficulties finding suitable staff. The fall in employment was the joint-sharpest since mid-2020, matching that seen last September.

The reduction in staffing levels was also seen against a backdrop of sharply rising costs. Where input prices rose, many businesses commented on the influence of higher labour expenses, including a larger-than-usual increase in the minimum wage, while energy prices were also cited as a factor. Total cost inflation was at its highest for 12 months.

With services firms looking to pass on at least part of the burden of higher operating expenses to customers, January saw a steep and accelerated rise in average prices charged. Here, the pace of inflation reached the fastest since last February and moved further above its long-run average.

Lastly, January's survey results indicated an improvement in service providers' expectations for activity in the coming year. Confidence levels rebounded from an eight-month low in December to their highest since May 2024. Anecdotal evidence suggested optimism towards the economic outlook and pipelines of new work.

Comment

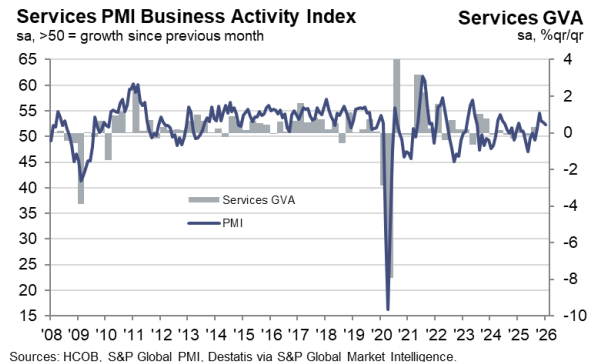
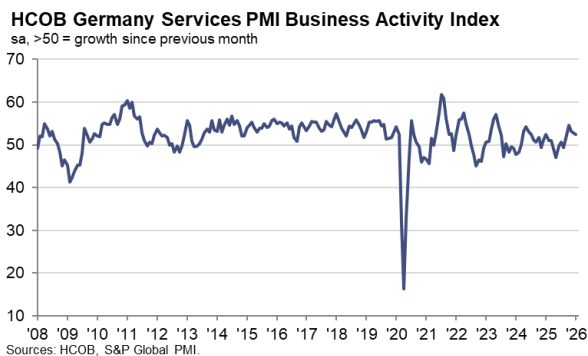
Commenting on the PMI data, Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

“Without the service sector, Germany's economy would look in an even worse state than it is currently portrayed in the ongoing debate. In January, service providers ensured that the economy as a whole grew, with the service sector continuing to do most of the heavy lifting. Continued growth in the service sector can be expected in the coming months, as new business has increased for the fourth month in a row. For the first time since mid-2023, orders from abroad are playing an important role in supporting growth. In general, the mood in the service sector appears to be relatively good, which is underlined by the fact that companies are much more confident about the future than they were a month ago. The corresponding index has risen to its highest level since May 2024.

“Service providers clearly feel able to charge higher prices for their services, which is a sign of strength. This observation supports the theory that the economy is on the upswing, as higher prices can usually be best enforced during an economic upturn. Although part of the increase in sales prices is also due to higher cost inflation, the jump in inflation in sales prices is greater than that of costs. On average, companies have therefore probably succeeded in achieving slightly higher profit margins.

“The fairly sharp decline in employment in the service sector is somewhat surprising after workforces grew for most of last year, especially since business activity has increased. We do not see this development as the beginning of a trend, although it cannot be ruled out that many companies are considering strategies for boosting productivity, i.e., maintaining at least constant business activity with fewer staff, which likely includes the use of artificial intelligence.”

-Ends-



HCOB Germany Composite PMI[®]

Growth buoyed by renewed upturn in manufacturing output

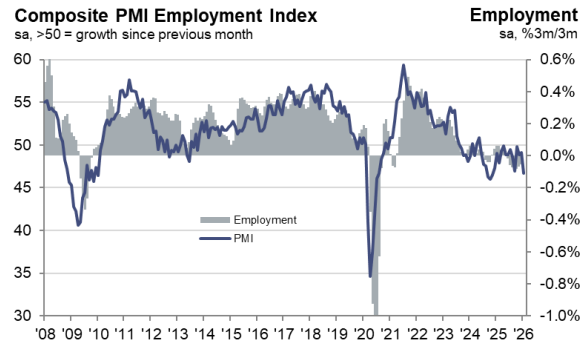
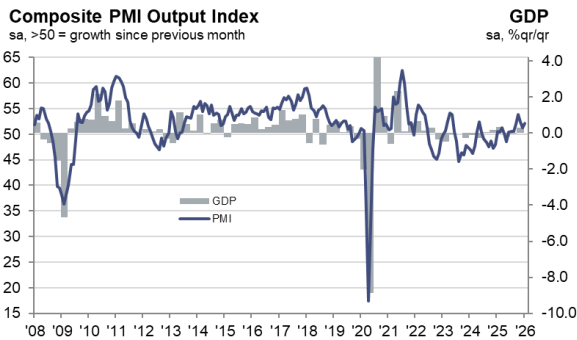
The HCOB Germany Composite* PMI Output Index ticked up from December's 51.3 to 52.1 in January, as a renewed upturn in manufacturing production offset slower growth in services business activity.

After declining fractionally in December, total inflows of new business rose for the third time in four months in January. This was helped by a broad stabilisation in export sales.

Business expectations improved in both monitored sectors, leading overall confidence to rise to its highest since May 2024. Despite this, however, broad-based job shedding saw employment post its steepest fall in 14 months.

The decline in workforce numbers was recorded alongside further decreases in backlogs of work in both manufacturing and services, as well as a general uptick in cost pressures.

Average input prices rose at the fastest rate in almost three years in January. Output charge inflation accelerated sharply to a 23-month high, which owed largely to greater price increases for services as factory gate charges posted a further (albeit slightly slower) decline.



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Note to Editors

The HCOB Germany Services PMI[®] is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in June 1997.

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 survey variable. 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.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services 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 figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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 services data were calculated from 87% of final responses. Flash composite data were calculated from 87% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.6 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is 0.0 (0.4 in absolute terms).

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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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The BME is the German Association for Supply Chain Management, Procurement and Logistics. Founded in 1954 it provides services for around 9750 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME liaises between businesses and academia, both on the demand and the supply side, by providing the necessary networks for communication and knowledge exchange. The association is open to all company types from any sector (industry, trade, banking/insurance, public sector, service providers, etc.).

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About PMI

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