

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Germany Manufacturing PMI[®]

Output growth ticks up in September, but forward-looking indicators weaken

Key findings:

HCOB Germany Manufacturing PMI at 49.5 (Aug: 49.8). 2-month low.

HCOB Germany Manufacturing PMI Output Index at 53.0 (Aug: 52.9). 42-month high.

Expectations slip to nine-month low as new orders post renewed decline

Data were collected 11-23 September 2025.

German manufacturers reported the strongest production growth in three-and-a-half years in September, according to the latest HCOB PMI[®] survey. However, the survey's more forward-looking indicators weakened, with business expectations for the year ahead sinking to the lowest in nine months and firms facing a renewed decline in intakes of new work.

On the supply side, the latest data showed the first increase in average delivery times for inputs in almost three years. That was despite firms scaling back their purchasing activity, which had in turn contributed to further downward pressure on input costs.

The headline **HCOB Germany Manufacturing PMI[®]** – a gauge of overall business conditions derived from measures of new orders, output, employment, supplier delivery times and stocks of purchases – came in at 49.5 in September, showing a slight decline from August's 38-month high of 49.8. The fall in the headline index reflected negative developments in new orders and employment; however, the three remaining sub-components all had a positive directional influence, including output.

September saw production rise for the seventh month in a row and at the quickest rate since March 2022. Output increased in each of the three main industrial groupings monitored by the survey, led by strong growth in the investment goods segment. Production was often supported by work on backlogged orders, which fell at the quickest rate for three months.

Inflows of new work were down across the German manufacturing sector for the first time in four months in September. The decline, which was only marginal, was attributed by surveyed businesses to a range of factors, including heightened uncertainty levels, strong competition from abroad and the impact of US tariffs. Export sales were little-changed on the month, after having contracted in August.

Factory employment levels decreased further at the end of the third quarter, continuing a protracted sequence of staff retrenchment stretching back to mid-2023. Moreover, the pace of job shedding accelerated for the second month running and was the quickest since June.

German manufacturers also scaled back their purchasing activity in September, the second month in a row in which this has been the case. The rate of decline quickened slightly and was the fastest since March. Stocks of purchases, on the other hand, fell at a softer rate, while post-production inventories came close to stabilising as they posted their slowest decrease in a year-and-a-half.

Average delivery times for inputs increased for the first time since October 2022. Reports from surveyed firms indicated that delays were partly the result of longer lead times on shipments from Asia and capacity constraints at suppliers.

Prices paid for purchases meanwhile continued to fall during September. Panellists that reported a decline remarked on a strong euro, excess supply in the market and having changed to cheaper suppliers. The rate at which input costs fell was the quickest in three months.

The latest data also showed a reduction in average producer prices across the German manufacturing sector, amid reports of

strong competition for new work. Here, however, the rate of decline eased to the weakest since May.

Looking ahead, business expectations for output over the next 12 months fell to their lowest so far this year. Confidence was back below the long-run average, with concerns about geopolitical uncertainty, a sluggish economy and competition from abroad serving to dampen sentiment.

Comment

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

"The attempt to break through the expansion mark of 50 has failed. By August, the headline PMI had crept up to just below the critical 50 threshold in several steps, but now there has been another setback, which accurately reflects the fragile situation in the manufacturing sector. Most recently, it was a decline in new orders that has weighed on the manufacturing sector. This development is likely to mean that output, which rose quite solidly in late summer, will grow only marginally in the coming months, if at all.

"Looking at the production figures in isolation, the manufacturing sector appears to be enjoying a healthy upturn, as output has been rising for seven months now. However, other indicators suggest that companies are already preparing for another downturn, as job cuts are continuing at a relatively high pace and inventories of purchased materials are also being reduced, albeit at a slightly slower rate than in previous months. It is quite obvious that the German government's announcements of strong growth in investment and defence procurement in the new budget for 2026 are only being given limited credence. Accordingly, confidence in future production increases has declined to a modest level.

"Industrial companies are currently benefiting from the fact that import prices have fallen quite sharply, while firms cut sales prices only slightly in September, so profit margins should have increased. However, the fact that companies have rarely been able to enforce price increases for over two years now underscores that competition has intensified in general due to the weak economic situation and the 'China shock'."

-Ends-

HCOB Germany Manufacturing PMI

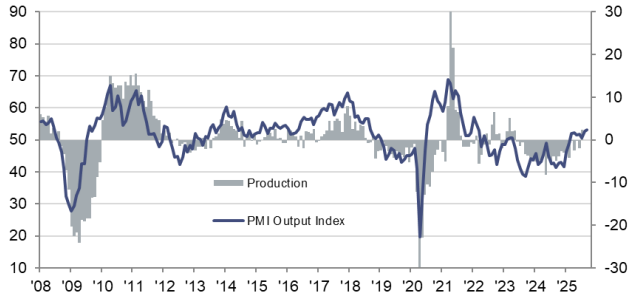
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

PMI Output Index

sa, >50 = growth since previous month



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

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Note to Editors

The HCOB Germany Manufacturing PMI[®] is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 420 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1996.

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 Purchasing Managers' Index[™] (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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 data were calculated from 84% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 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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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. www.spglobal.com/marketintelligence/en/mi/products/pmi.html

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