NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Germany PMI®

German growth buoyed by upturn in manufacturing production

Key findings:

HCOB Flash Germany Composite PMI Output Index(1) at 50.9 (Feb: 50.4). 10-month high.

HCOB Flash Germany Services PMI Business Activity Index(2) at 50.2 (Feb: 51.1). 4-month low.

HCOB Flash Germany Manufacturing PMI Output Index(4) at 52.1 (Feb: 48.9). 36-month high.

HCOB Flash Germany Manufacturing PMI(3) at 48.3 (Feb: 46.5). 31-month high.

Data were collected 12-20 March

German business activity rose at the quickest rate for ten months in March, amid a first increase in manufacturing production for almost two years, the latest HCOB 'flash' PMI® survey showed. The result did however mask a near-stalling of growth in the service sector, which saw a continued lack of incoming new work. Employment fell again, in line with signs of low capacity utilisation, although the rate of staff retrenchment slowed as firms grew slightly more optimistic about the outlook.

Elsewhere, March's flash data pointed to an easing of inflationary pressures, with rates of increase in both input costs and output prices slipping to their lowest since last October.

The **HCOB Flash Germany Composite PMI Output Index** came in at 50.9 in March, up from 50.4 in February and its highest since May last year. The index has now signalled growth in each of the first three months of 2025, with the pace of expansion accelerating slightly but remaining only modest by historical standards. The improved performance in March reflected a renewed increase in manufacturing production, which recorded its strongest growth for three years (output index at 52.1). By contrast, the service sector lost momentum, recording only a fractional rise in business activity that was the weakest for four months (index at 50.2).

The upturn in manufacturing was driven in large part by stronger demand in the sector, with goods producers reporting a first – albeit modest – rise in **new orders** since March 2022. Where an increase was recorded, some firms remarked on stronger domestic demand and clients trying to build up stocks. Manufacturing new export orders were down slightly, exhibiting a rate of decline similar to that seen in February. Services firms meanwhile recorded the steepest drop in new business in just over a year, citing a wait-and-see attitude among customers amid a backdrop of market uncertainty. Total inflows of new work across the two monitored sectors combined therefore fell for a tenth straight month.

March saw a further broad-based reduction in **backlogs of work**, in a sign of a lack of pressure on business capacity. The rate of depletion was unchanged from the solid pace recorded in February. Labour market conditions reflected this, with March seeing a tenth successive monthly decline in **employment**. The rate at which workforces fell eased since February, however, reflecting a slowdown in the pace of manufacturing job shedding to the weakest in nine months. Services employment once again rose slightly.

Turning to prices, March's flash data showed a cooling of inflationary pressures across the eurozone's largest economy. This reflected developments in the service sector, where firms reported the slowest increases in **input costs** and **prices charged** for five months. The declines in manufacturing purchase prices and factory gate charges meanwhile eased and were only modest.

Sentiment towards future activity improved slightly at the end of the first quarter. **Growth expectations** increased in both monitored sectors and remained stronger in manufacturing than in services. Reports from surveyed businesses highlighted positivity around a boost in infrastructure spending and hopes of a general upturn in economic conditions. That was despite ongoing concerns about tariffs and generally high levels of uncertainty.

Comment

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

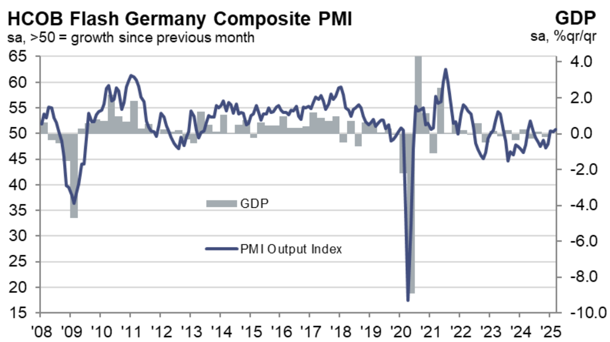
"What a pleasant surprise - manufacturers have ramped up production for the first time in nearly two years. This didn't just come out of nowhere, though. The output index has risen in five of the past six months. It might be linked to the import boom from the US, where companies are snapping up goods from abroad to get ahead of looming tariffs. If that's the case, we could see a bit of a setback once those tariffs kick in. On the bright side, Germany's massive infrastructure and defence package, recently greenlit by both parliamentary houses, could give manufacturing a moderate boost in the near future. It's likely to instil some much-needed confidence in Germany as a business hub.

"Economic growth in the first quarter looks promising, with the composite PMI staying above the expansionary threshold every month. Thanks to the fiscal package, this could mark the beginning of a more sustained recovery. Of course, there are risks - US tariffs and a sluggish services sector, which barely grew in March, are worth keeping an eye on. But with a new government likely to form in the coming weeks, confidence might rebound quickly. In fact, the PMI survey shows that firms in both manufacturing and services are feeling more optimistic about future output.

"While manufacturers seem to be finding their footing, service providers are hitting the brakes. Service activity nearly stagnated in March, and new business took a sharp dive. To make matters worse, service companies couldn't raise selling prices as much as they had in recent months. That said, the expansionary fiscal policy should start making waves in the second half of the year, boosting the service sector as infrastructure and defence projects drive up demand. Most of the real impact, though, will likely be felt in 2026.

"Employment is somewhat less under pressure in manufacturing and growing at a continued moderate pace in services. This may be an indication that the German economy is bottoming out. It means there is a chance of a cyclical upturn and the fiscal package more than compensating for the damage that will most likely be done by the tariff policy of the US."

-Ends-



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

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Note to Editors

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

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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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