

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Flash Germany PMI[®]

Business activity growth ticks up to four-month high in February

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 53.1 (Jan: 52.1). 4-month high.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 53.4 (Jan: 52.4). 4-month high.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 52.3 (Jan: 51.4). 4-month high.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 50.7 (Jan: 49.1). 44-month high.

Data were collected 10-18 February.

Business activity growth in Germany's private sector accelerated to a four-month high in February, reflecting improved performances in both manufacturing and services, the latest 'flash' HCOB PMI[®] survey results showed. The upturn continued to be supported by stronger demand for goods and services, with inflows of new work rising for the fourth time in the past five months. The pace of job losses meanwhile remained solid, although it slowed slightly amid a stabilisation in backlogs of work and a fractional uptick in firms' expectations for activity over the next 12 months.

As for prices, the latest data indicated the steepest increase in input costs for three years midway through the opening quarter of the year. This translated into another solid, albeit slightly slower, rise in average prices charged for goods and services, with the rate of inflation edging down from January's 23-month high.

February saw the **HCOB Flash Germany Composite PMI Output Index** register 53.1, up from 52.1 in January and the highest reading since last October. Growth continued to be led by the service sector, where the rate of expansion in business activity quickened to a four-month high (index at 53.4). The manufacturing sector also gained momentum, seeing output rise for the second month running and at the fastest rate since October last year (index at 52.3). Notably, the headline HCOB Flash Germany Manufacturing PMI - a gauge of overall business conditions derived from measures of new orders, output, employment, supplier delivery times and stocks of purchases - breached the 50.0 no-change threshold for the first time in over three-and-a-half years, registering 50.7.

A further rise in inflows of **new business** in February signalled a sustained improvement in demand for German goods and services. The increase in manufacturing order books was in fact the strongest in almost four years, which offset a slower rise in the service sector to leave the overall rate of new business growth across the two sectors combined unchanged from January. Surveyed firms remarked on stronger demand both domestically and abroad, with **new export business** rising in both monitored sectors. The increase in total new business from abroad was the first in seven months and only modest, but it was nevertheless the best performance since February 2022.

Backlogs of work stabilised across the private sector in February, after falling modestly in each of the previous three months. Outstanding business fell only fractionally in the service sector, while work-in-hand at manufacturers rose - albeit only slightly - for the first time since May 2022.

Amid tentative signs of capacity pressures building in the manufacturing sector, goods producers slowed the rate of job shedding in February. **Employment** at factories fell at the second-softest rate in almost two-and-a-half years. Staff cutbacks in the service sector, on the other hand, gathered pace, with service providers recording the steepest reduction in workforces since June 2020.

The latest round of staff retrenchment at services firms coincided with sustained strong cost pressures in the sector. Service providers recorded another steep increase in **input prices** in February, and one that was only slightly softer than January's 12-

month high. Higher wages were a key driving factor, anecdotal evidence showed. Cost pressures meanwhile continued to build in the manufacturing sector, with purchase prices rising for the third month running at the quickest rate since December 2022.

February saw a broad-based increase in **output prices**. The overall rate of inflation ticked down from January's near two-year high but continued to outstrip the long-run average. There was another steep – albeit slightly softer - increase in prices charged by service providers, while manufacturers raised factory gate prices for the first time in four months, though only marginally.

Lastly, February's flash survey results indicated a fractional uptick in firms' **expectations for activity** over the next 12 months to the highest level since May 2024. The increase in confidence was driven by the manufacturing sector, where optimism was the strongest in four years, with services sentiment showing no change from January.

Comment

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

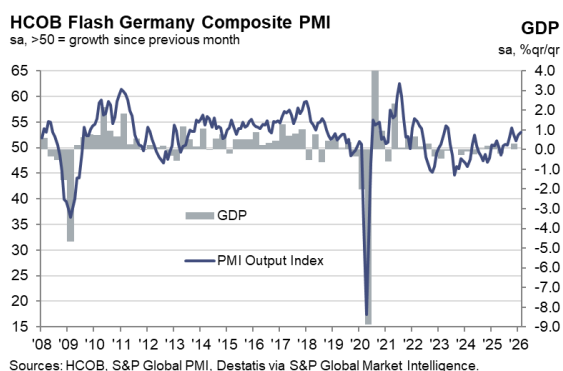
“Hurray, German industry is growing again. For the first time in more than three-and-a-half years, the headline manufacturing PMI is back in expansionary territory. This confirms the tentative signs of an economic turnaround that were particularly evident in January. It is particularly encouraging that new orders have risen robustly, suggesting that production growth will continue in the coming months. This view is supported by order backlogs, which have risen for the first time since mid-2022, albeit only moderately. Higher new orders from abroad, which have risen again after six months of decline, have also helped here. We expect the government's infrastructure program and higher military spending to provide increasing tailwinds for industry.

“The development in the service sector is encouraging. Here, business activity growth has picked up significantly, reaching its second-highest level in almost two years. The weaker growth in new business compared to previous months may be an indication that the pace of expansion will not remain at this level in the coming months. In fact, companies remain very cautious in their personnel planning and have cut jobs for the second month in a row. This is consistent with the fact that service providers were able to achieve slightly less strong price increases. Overall, however, it seems possible that the pleasant developments in industry will spill over into the service sector in the coming months.

“In industry, companies are facing accelerating increases in purchase prices. This is likely to be partly due to higher energy prices. Prices for crude oil and natural gas on the commodity exchanges have risen by between 12% and 14% in euro terms since the beginning of January. At least companies were able to pass on some of these cost increases to their customers.

“GDP in Germany is likely to have grown visibly in the first quarter, unless there is a major slump in March, for which there is no indication in the data. Companies in both the service sector and the manufacturing industry are also quite optimistic about the next twelve months which bodes well for GDP growth of more than 1% this year, which is our expectation.”

-Ends-



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Note to Editors

Final February data are published on 2 March for manufacturing and 4 March 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.

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S&P Global (NYSE: SPGI)

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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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