

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Flash Germany PMI[®]

German private sector loses further momentum in December as new orders stagnate

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 51.5 (Nov: 52.4). 4-month low.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 52.6 (Nov: 53.1). 3-month low.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 49.4 (Nov: 50.9). 10-month low.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 47.7 (Nov: 48.2). 10-month low.

Data were collected 4-12 December.

Business activity growth slowed for the second month in a row across the German private sector in December, according to the latest 'flash' HCOB PMI[®] survey. Growth softened further from October's recent high due to sluggishness in underlying demand, with inflows of new business stagnating in the final month of 2025. Firms' expectations for growth in the year ahead meanwhile slumped to their lowest in eight months.

Despite the slowdown in the pace of expansion, inflationary pressures picked up. Alongside faster increases in both operating expenses and prices charged in the service sector, manufacturers recorded a first increase in input costs in almost three years amid signs of growing supply-chain pressures.

The **HCOB Flash Germany Composite PMI Output Index** registered 51.5 in December, down from 52.4 in November and its lowest reading in four months. At the broad sector level, the rate of expansion in service sector business activity eased to its weakest since September, albeit still registering close to its long-run average (index at 52.6 in December). In manufacturing, however, production levels returned to contraction territory (index at 49.4), to end to a nine-month sequence of growth.

Total inflows of **new business** were unchanged in December compared with the month before, after having risen in both October and November. Service providers reported a modest increase in new work that was the weakest in the current three-month period of expansion. Demand conditions meanwhile deteriorated in the manufacturing sector, with new orders falling for the third time in four months and at the quickest rate since January. This partly reflected a deepening decline in factory export sales.

Output levels were supported to some extent by work on **backlogged orders**, which fell for the second month running in December following a brief uptick at the start of the fourth quarter. Rates of backlog depletion were similarly modest in both monitored sectors.

Concerns about the health of the economy, the unsettled geopolitical environment and the competitiveness of German companies weighed on **business confidence** in December. Business expectations softened for the third month running to their lowest since April. That said, the overall drop in expectations was driven exclusively by the service sector and masked an uptick in confidence among manufacturers. Sentiment in the goods-producing sector was in fact at its highest for six months.

On the labour market front, December's flash data indicated a slight reduction in **employment** across the German private sector, thereby extending the current sequence of decline to 19 months. The pace at which workforce numbers fell was slower than the month before, however, reflecting a pick-up in the pace of job creation in services and a slightly slower decrease in factory staffing levels.

Turning to prices, December saw faster increases in both **input costs** and **output charges**. Firms' operating expenses increased at the quickest pace for almost a year, with the rate of inflation moving back above its long-run average. Services firms noted the sharpest rise in input prices since February, while manufacturers recorded an increase in average purchasing costs prices for the first time since January 2023, with the latter often citing higher prices paid for commodities, particularly metals. The increase in manufacturing input costs coincided with a fourth consecutive monthly increase in supplier delivery times, and one that was the most marked in this sequence.

Strong competition for new work led to another modest decrease in average manufacturing output prices in December. However, due to a faster rise in prices charged by service providers, the overall rate of output price inflation ticked up from November's four-month low.

Comment

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

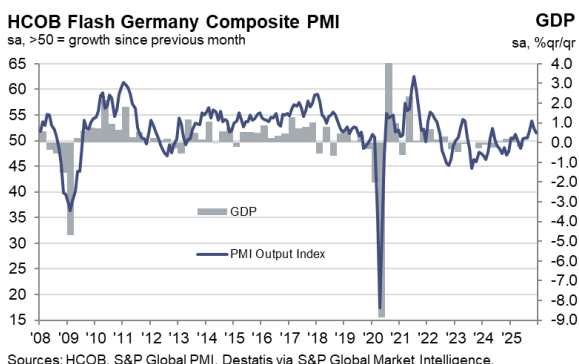
"What a mess, one might exclaim in view of the further downturn in the manufacturing sector. For the second month in a row, the headline manufacturing PMI has fallen deeper into sub-50 contraction territory, and for the first time in ten months, production is also declining. The latter comes as no surprise, as order intakes had already slumped in November. This trend has now continued, which does not bode well for the start of next year."

"Despite warning lights flashing in the industry, there are significantly more manufacturing companies looking ahead to the coming year with confidence in December. The corresponding index has jumped upwards, possibly reflecting the fact that the government has launched a number of transport projects, decided on reforms to reduce bureaucracy, and wants to expand defence capabilities. Only if these measures result in an increase in incoming orders will the industry regain momentum."

"The service sector is losing momentum for the second month in a row. However, business activity continues to grow visibly, as evidenced by the stronger expansion of staff. New business has been increasing steadily for three months and overall, the service sector is stabilizing the economy as a whole and is likely to contribute significantly to positive GDP growth in the fourth quarter."

"While confidence in the manufacturing sector has increased visibly, the assessment of the next 12 months in the service sector has weakened in December. It is possible that people believe that the economic stimulus package and higher defence spending will primarily benefit construction companies, the mechanical engineering sector, and companies that produce directly or as suppliers in the defence sector, while service providers tend to come away empty-handed. However, this does not have to be the case, because industrial production usually also involves activities that are accompanied by service providers such as consulting firms, auditors, and software developers. In addition, there are the so-called multiplier effects, because employees of companies that receive additional (government) orders are more likely to treat themselves to an extra visit to a restaurant or a concert that they would otherwise have foregone."

-Ends-



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Note to Editors

Final December data are published on 2 January for manufacturing and 6 January 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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