

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Services PMI®

Service sector growth eases for second month running but remains solid in December

Key findings:

HCOB Germany Services PMI Business Activity Index at 52.7 (Nov: 53.1). 3-month low.

HCOB Germany Composite PMI Output Index at 51.3 (Nov: 52.4). 4-month low.

Business expectations drop to lowest since last April

Data were collected 4-18 December.

Business activity continued rising at a healthy rate across Germany's service sector during December, albeit with the pace of expansion easing further from October's recent high, the latest HCOB PMI® survey results showed. The loss of momentum largely reflected a slower increase in new business. Employment rose modestly and for the third straight month, but business expectations dropped to their lowest since April last year.

On the price front, December's survey data indicated faster increases in both input costs and output charges, with the former rising at the quickest rate for ten months.

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. The index ticked down for the second month running in December, falling from 53.1 in November to a three-month low of 52.7. Nevertheless, its latest reading was indicative of a solid rate of growth and in line with its long-run average. Firms that recorded a rise in business activity generally attributed this to stronger customer demand.

New business rose further across the services sector in December to complete a full quarter of growth. The rate of expansion in new work did however ease further from October's recent high to only a modest pace. That was despite services firms registering the first increase in new business from abroad for one-and-a-half years. The slight increase in international sales was driven in part by stronger demand from Asia-based clients, reports from surveyed firms showed.

As was the case with new business, employment increased for the third month running across the German service sector in December. The pace of job creation ticked up since November, although it was still only modest overall. The extra staffing capacity helped firms reduce backlogs of work, which fell for the second month running and at the quickest rate since last September.

Staying on the labour market theme, December's survey also indicated that wages remained a key driver of rising costs across the services economy. Overall operating expenses increased at the quickest rate since February last year, and one that was above the long-run average.

Demand was sufficiently strong to allow services firms to raise output prices and offset some of the burden of higher costs in December. After easing to its second-lowest level in over four-and-a-half years in November, the rate of output price inflation ticked up slightly.

Looking ahead, the latest data showed a reduction in confidence among services firms about growth prospects in the coming year. Expectations weakened for the third straight month in December, falling to their lowest since last April and further below the historical average. Firms that were downbeat about the outlook highlighted a range of concerns that included the competitiveness of German industry, the unsettled geopolitical environment and the speed of policy changes.

Comment

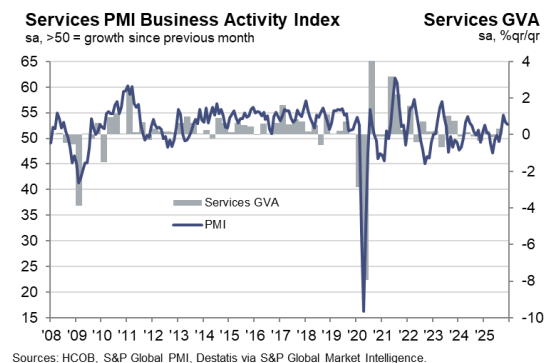
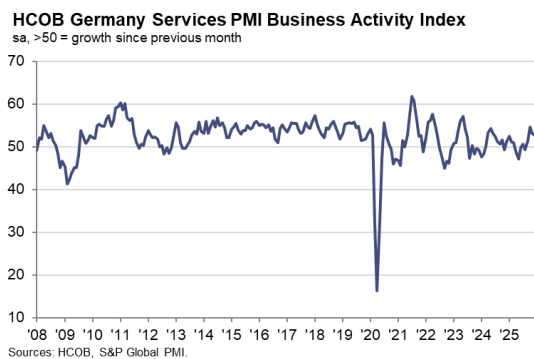
Commenting on the PMI data, Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

“Business activity in the private service sector grew for the fourth month in a row. Although the pace of expansion has slowed slightly, it can still be described as relatively robust. In this environment, companies also found themselves compelled to hire more staff than the month before, after having even reduced employment at times in 2025. The moderate growth in new business suggests that the start to the new year could be satisfactory.”

“Service companies are in a position to pass on the rise in costs to their customers, albeit only partially. Taken on its own, this points to favourable, but not spectacular demand conditions. The higher costs are likely to be primarily the result of continued above-average wage increases. This is because most service activities are relatively labour- and wage-intensive. This cost problem is unlikely to disappear in the coming year, as the main cause is demographic change and the resulting labour shortage, which continues to prevail in many sectors despite the generally weak economy.”

“Confidence among service providers has deteriorated significantly with regard to the next twelve months. The index of future activity has slipped to its lowest level since last April, putting it around three-and-a-half points below the long-term average. This may be due to dissatisfaction with the government, as many companies believe that the reforms that have been adopted are heading in the wrong direction or are not comprehensive enough. However, experience shows that sentiment can also change quickly, so this is only a snapshot of the current situation.”

-Ends-



HCOB Germany Composite PMI[®]

Private sector growth eases to four-month low in December

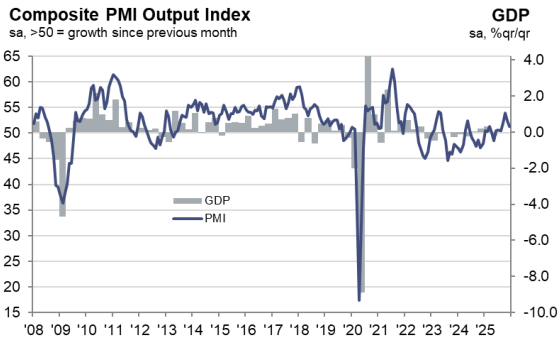
Ticking down for the second month running from 52.4 in November to 51.3 in December, the HCOB Germany Composite* PMI Output Index pointed to a further loss of growth momentum in the private sector as 2025 ended.

The slowdown reflected a renewed decline in new business, which itself was driven by a solid and accelerated reduction in manufacturing new orders. Exports sales acted as a drag, having fallen for the fifth month running.

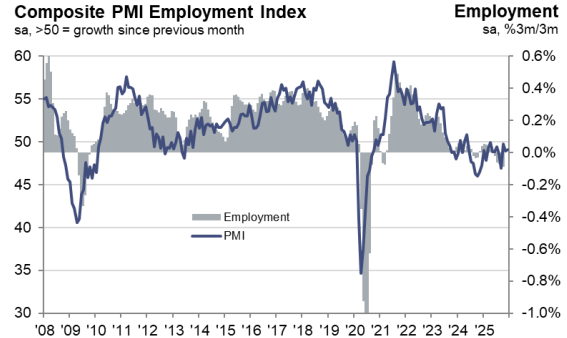
There was a further modest drop in employment as job creation in the service sector was offset by staff retrenchment across manufacturing. Backlogs fell modestly in both monitored sectors, pointing to a general lack of pressure on capacity.

Input costs rose at the quickest rate for almost a year, with manufacturers facing a first increase in purchase prices since January 2023 and services cost inflation also picking up. The rate of increase in average prices charged for goods and services was unchanged from the month before, however.

Business expectations slipped to an eight-month low, as a drop in services more than offset an improvement in manufacturing.



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



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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 83% of final responses. Flash composite data were calculated from 86% 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

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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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