NEWS RELEASE
MARKET SENSITIVE INFORMATION
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# HCOB Germany Manufacturing PMI®

## Manufacturing production falls at slowest rate for eight months in January

**Key findings:**

HCOB Germany Manufacturing PMI at 45.0 (Dec: 42.5). 8-month high.

HCOB Germany Manufacturing PMI Output Index at 46.3 (Dec: 41.7). 8-month high.

Prices charged fall at slower rate as costs come close to stabilising

Data were collected 9-24 January 2025.

The downturn in Germany's manufacturing sector softened in January, with goods producers reporting the slowest declines in both output and new orders for eight months, the latest HCOB PMI® survey showed. Expectations towards the outlook meanwhile improved, but businesses nevertheless continued to cut workforce numbers as efforts were made to trim surplus capacity.

Weak demand conditions once again weighed on manufacturers' pricing power at the start of 2025. That said, discounting was the least prevalent for five months as input costs continued to trend towards stabilisation.

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 – remained below the 50.0 no-change threshold that separates growth from contraction in January. However, its latest reading of 45.0 was up from 42.5 in December and the highest since May last year.

Slower falls in both output and new orders were the main factors behind the headline PMI's rise in January. The rate of contraction in production eased noticeably from December and was the weakest for eight months. Downturns softened in all three of the main industrial groupings covered by the survey.

It was a similar story for new orders, which likewise posted the least marked fall since last May. Nevertheless, the latest decrease in volumes of incoming new work was still sizeable, as surveyed firms alluded to a range of headwinds to demand such as investment reticence, competition from abroad, and general weakness across domestic and international markets. Export sales were down again, albeit falling at the slowest rate for eight months.

January saw another round of job cuts across Germany's manufacturing sector, to extend the current period of staff retrenchment to 19 months. Although easing slightly to the weakest since August last year, the pace at which employment fell was still marked and quicker than the average over the current sequence. Workforce numbers were scaled back amid signs of spare capacity, with businesses completing orders more quickly than they were being received. The rate of depletion in backlogged orders did however ease sharply since December and was the weakest for almost two-and-a-half years.

Business expectations meanwhile rose to the highest for nearly three years. Increased optimism towards the outlook reflected hopes for lower interest rates and a post-election upturn in the economy, anecdotal evidence showed.

On the supply side, January data showed that weak demand for inputs led to modestly faster delivery times and imparted downward pressure on purchase prices. Many firms reported being able to negotiate better terms with suppliers due to the weak demand environment. Higher energy and transport costs were offsetting factors in some cases, however, meaning overall input prices fell only marginally and at the slowest pace for five months.

Manufacturers cut their purchasing activity again in January, citing lower output requirements and associated efforts to run down inventory. That said, the rate of decline in buying levels eased sharply to the weakest since September 2022.

Whilst competition for new work led to a twentieth straight monthly decrease in average factory gate charges in January, businesses were less aggressive with price cuts. The rate of decline in output prices slowed for the second month running to the weakest since last August.

**Comment**

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

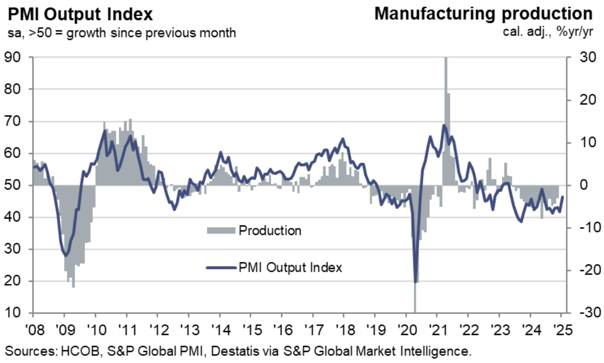
*"Fear of US tariffs, snap elections, and rising insolvencies are not exactly the recipe to end the recession in the manufacturing sector. With such a tough environment, it is no surprise that the HCOB PMI for manufacturing is still in the red, signalling a continuation of the downturn that has been going on since mid-2022. Even though the HCOB PMI has risen, we would only expect a sustained stabilisation if it exceeds the 50 mark or shows at least three consecutive increases.*

*"The drop in production in January was not as severe as in the previous seven months. Calling it a ray of hope might be an overstatement, but several indicators show that the dramatic deterioration has slowed a bit. This applies to new orders, order backlogs, and purchased quantities. In a genuinely positive sign companies are looking to the future with much more confidence, believing they might be producing significantly more a year from now. The Future Output Index reached its highest level since February 2022. Some companies justify this optimism with the prospect of lower interest rates and hopes that the economy will pick up after the parliamentary elections with a new government.*

*"The destocking of purchased goods signals that an economic recovery will take some time. The rate of destocking remains high and the inventory retrenchment phase is unusually long. Interestingly, Germany seems to have decoupled from the global inventory cycle, as global stocks of purchases have hardly changed recently. This supports the idea that the recession in German industry is more structural than cyclical.*

*"The unchecked decline in manufacturing seems to have stopped. This applies to production and new orders, which had been falling at a fast rate in the second half of 2024. The January figures suggest that the order backlog might be stabilising, as this was the smallest decline since August 2022. The situation remains critical, but companies are far from capitulating."*

-Ends-

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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 95% 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.

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 BME**

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**

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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