NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Services PMI®

Service sector enjoys strong upturn in growth at start of Q4

Key findings:

HCOB Germany Services PMI Business Activity Index at 54.6 (Sep: 51.5). 29-month high.

HCOB Germany Composite PMI Output Index at 53.9 (Sep: 52.0). 29-month high.

Employment increases for first time in three months

Data were collected 9-28 October.

Germany's service sector enjoyed a strong start to the fourth quarter, seeing business activity rise at the quickest rate for almost two-and-a-half years, according to the latest HCOB PMI® survey data. The upturn was supported by a notable increase in new business and contributed to a first rise in employment in the sector for three months. Service providers continued to look to the future with optimism, although expectations ticked down slightly from September's recent high.

October's survey results meanwhile showed a pick-up in inflationary pressures across the services economy. Average prices charged rose at the quickest pace for eight months, reflecting a combination of stronger demand and steeper cost increases.

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. October saw the index rise steeply from September's 51.5 to 54.6, which was its highest reading since May 2023.

Reports from surveyed businesses showed that growth was generally driven by stronger demand. This was evidenced by a rise in inflows of new work, which recorded only their second increase in over a year. Furthermore, the rate expansion in new business was the joint-quickest since May 2023. Export sales meanwhile registered only a marginal decline that was the slowest since they began falling midway through 2024, signalling some stability in international demand.

Notably, October saw a first increase in backlogs of work across the German service sector for a year-and-a-half. The rate of accumulation was only modest, but it was nevertheless the strongest recorded since June 2022.

The increase in new business and subsequent capacity pressures saw services firms return to hiring mode at the start of the fourth quarter. Employment, which had fallen in both of the previous two months and at the quickest rate for more than five years in September, showed a solid rise that was the quickest since April.

Wages were widely mentioned by surveyed businesses as a source of cost inflation in October. The overall rate of increase in input prices quickened for the third month in a row, taking it to its highest since April and further above the long-run average.

Like input costs, prices charged by services firms exhibited an accelerated rate of increase for the third consecutive month at the start of the fourth quarter. This pushed output price inflation to its highest since February.

Looking ahead, German services firms remained optimistic about the outlook for activity in the year ahead. Expectations retreated slightly from September's 16-month high, but they nevertheless remained above their historic trend level. According to qualitative evidence gathered by the survey, firms' optimism reflected hopes of an improvement in economic conditions in the next 12 months, plans for new product offerings and enhancements in technology.

Comment

Commenting on the PMI data, Nils Müller, Junior Economist at Hamburg Commercial Bank, said:

“Germany’s services sector started the fourth quarter with renewed momentum, as the HCOB Services PMI surged to 54.6 in October, marking its highest reading in nearly two-and-a-half years. The acceleration in business activity was accompanied by a solid rise in new work, which recorded only its second increase in over a year.

“Employment rebounded after two months of decline, with service providers returning to hiring mode amid rising backlogs of work – the first such increase in 18 months. The accumulation of outstanding business, albeit modest, signals growing capacity pressures, which surveyed firms attributed to stronger demand, supply shortages, and a lack of qualified staff. However, optimism about future activity ticked down slightly from September’s recent high, suggesting some caution remains despite the overall upbeat tone.

“Inflationary pressures intensified, with input costs rising at the fastest pace since April, which was largely driven by wage increases, as firms reported. Output prices followed suit, climbing at the quickest rate in eight months. These developments point to a sector regaining pricing strength amid improving demand conditions.

“Taken together, the October PMI data suggest that Germany’s services economy is regaining its footing after a subdued period. The combination of rising demand, renewed hiring, and stronger pricing power bodes well for the broader economy, even as firms remain watchful of external risks and cost pressures.”

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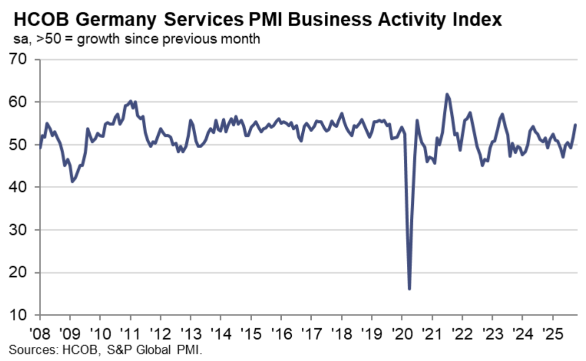
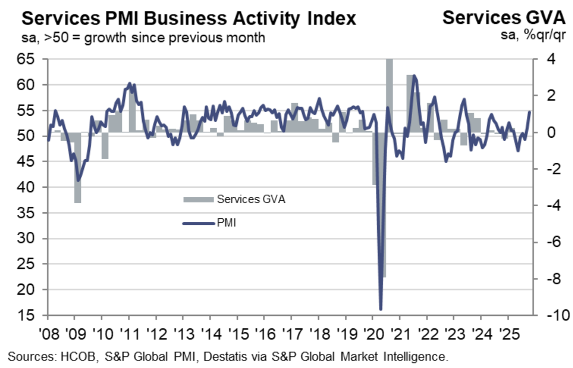




HCOB Germany Composite PMI®

Output growth quickens to 29-month high in October

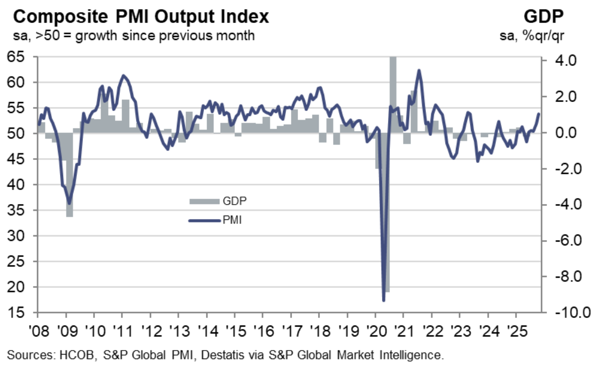
Rising from 52.0 in September to 53.9 in October, the HCOB Germany Composite* PMI Output Index signalled the strongest growth in combined manufacturing and services output for nearly two-and-a-half years at the start of the fourth quarter.

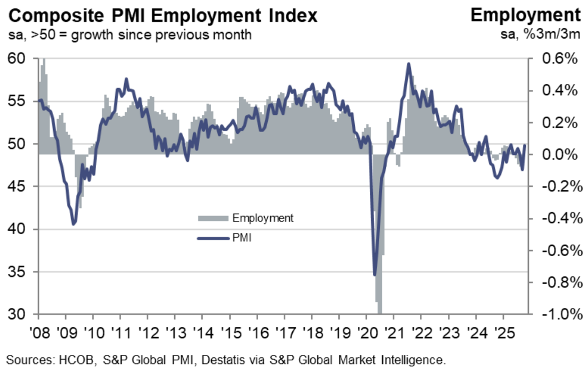
The upturn was driven in part by stronger demand in both monitored sectors, with total new business showing the steepest rise since April 2022. That was despite export sales softening slightly.

Overall backlogs of work rose – albeit marginally – for the first time in over three years, reflecting increased capacity pressures in the service sector. Renewed hiring among services firms largely offset job cuts in manufacturing, leaving employment broadly unchanged from the month before.

Business expectations weakened in both monitored sectors, however, taking overall confidence to its lowest since April.

On the price front, the service sector drove faster increases in both input costs and output charges. Notably, factory gate prices rose to the greatest extent since April 2023.





Contact

Hamburg Commercial Bank AG
Nils Müller
Junior Economist
T: +49-171-3534492
nils.mueller@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence
Phil Smith
Economics Associate Director
T: +44-149-146-1009
phil.smith@spglobal.com

Hannah Brook
EMEA Communications Manager
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

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 84% 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 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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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.).

Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME), Frankfurter Str. 27, 65760 Eschborn, GERMANY.

Contact: Frank Rösch, Head of Press and Communications, frank.roesch@bme.de, www.bme.de.

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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