

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Manufacturing PMI[®]

Rise in export orders helps lift production for third straight month in May

Key findings:

HCOB Germany Manufacturing PMI at 48.3 (Apr: 48.4). 2-month low.

HCOB Germany Manufacturing PMI Output Index at 51.4 (Apr: 52.3). 3-month low.

Renewed decline in output prices amid falling input costs

Data were collected 12-22 May 2025.

Manufacturers in Germany reported a third straight monthly rise in output levels in May, with production being scaled up in line with further growth in new export orders, the latest HCOB PMI[®] survey showed. The declines in employment and purchasing activity across the sector meanwhile slowed, with the latter coming close to stabilising. This corresponded with improved sentiment towards the year-ahead outlook for output.

On the price front, average charges for manufactured goods showed a renewed decline after rising in April for the first time in nearly in two years. The discounting of output prices reflected competition for new work, according to reports from surveyed business, and was aided by a further steep drop in input costs.

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 – registered 48.3 in May, down slightly from April's 32-month high of 48.4 and below the neutral 50.0 threshold that separates improvement from deterioration for the thirty-fifth straight month.

The latest sub-50 reading masked a further increase in production volumes, which have risen in each month since March. The rate of growth did however ease from April's 37-month high and was the softest in the current sequence of expansion.

Supporting the upturn in output was a second straight monthly rise in new export orders. After returning to growth for the first time since early 2022 in April, international sales rose at a slightly accelerated rate in May, albeit one that was still only modest overall. A number of surveyed businesses reported stronger demand across Europe, while there were also several mentions of increased sales to the US, linked in part to customers stockpiling ahead potential tariff increases. However, total new orders fell slightly after increasing in the previous two months, pointing to a degree of weakness in domestic demand.

With a further – albeit only modest – fall in backlogs of work underlining a lack of pressure on operating capacity, German manufacturers continued to reduce workforce numbers during May. Although the latest round of staff cuts was substantial, the rate of job shedding eased for the third month and was the weakest since January 2024.

German manufacturers' buying levels meanwhile fell only fractionally, registering the smallest decline since the current downturn in purchasing activity began in mid-2022. This contributed to a slower fall in stocks of inputs, the weakest for more than two years. Post-production inventories held by goods producers in Germany fell only modestly and at a rate that was little-changed from that seen in April.

Delivery times on purchases shortened in May, amid reports from surveyed businesses of better availability. That said, the improvement in supplier performance was among the least marked in the past two-and-a-half years.

Average prices paid for purchases fell markedly again midway through the second quarter, albeit with the rate of decline easing slightly from April's 13-month record. Panellists highlighted the influence of a range of factors, including weaker demand for inputs, lower oil prices and a stronger euro. Cost savings were often passed on by manufacturers, leading to a renewed fall in

average factory gate charges.

Lastly, May data indicated stronger optimism among German manufacturers towards growth prospects in the next 12 months. After dropping to a four-month low in April, expectations rebounded to the highest since February 2022 and were stronger than the long-run average.

Comment

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

“Most people have got so used to gloomy headlines from the industrial sector that the good news often slips under the radar. That is why it is worth looking beyond the headline PMI figure, which dipped slightly and is still in contraction territory. The broader picture actually shows some encouraging signs. Production has now increased for the third month in a row, and foreign orders have been on the rise for two straight months. What’s more, the uptick in output is not limited to just one area – it is showing up across the board, in capital goods, intermediate goods and consumer goods. That is a solid sign of broad-based improvement. It is also positive that companies have barely scaled back their purchases of intermediate goods, after falls in each month since mid-2022. Most striking is perhaps that business sentiment is the most optimistic since February 2022. That likely has a lot to do with the formation of a new government, the promise of tax breaks for investment, a big infrastructure package, and plans to boost defence spending.

“Some of the recent production increase may be tied to US importers rushing to get ahead of potential new tariffs. But other factors, like expected interest rate cuts, lower energy prices, and a cyclical rebound after a downturn lasting more than two years, are probably helping too. There is a decent chance this momentum will carry on, even if things slow down a bit.

“Manufacturing workforce numbers have been falling continuously since mid-2023. With a certain delay, this has led to higher labour productivity in manufacturing, which PMI data show has been rising again since late 2024. It is likely to take a few months before a possible recovery in the manufacturing sector is reflected in higher employment levels. However, it can be assumed that the emerging trend of a slowdown in job cuts will continue for the time being.”

-Ends-

HCOB Germany Manufacturing PMI

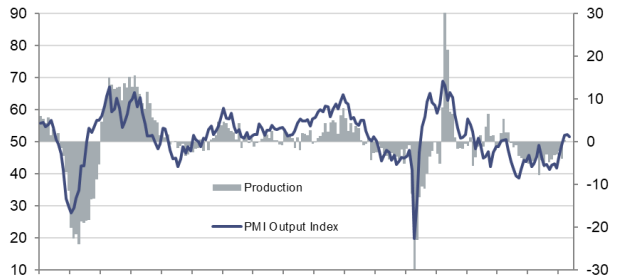
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

PMI Output Index

sa, >50 = growth since previous month



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

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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 90% 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

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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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