

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Germany PMI®

German private sector ekes out further marginal growth in July

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 50.3 (Jun: 50.4). 2-month low.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 50.1 (Jun: 49.7). 4-month high.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 50.6 (Jun: 51.9). 5-month low.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 49.2 (Jun: 49.0). 36-month high.

Data were collected 10-22 July.

July saw business activity rise slightly for the second month running across the German private sector, according to the latest 'flash' HCOB PMI® survey data. Underlying demand continued to show a steady recovery, with services firms noting the first increase in new business in almost a year. Business expectations meanwhile picked up to their highest since May 2024, but employment nevertheless posted a further modest decline.

On the price front, inflationary pressures were shown to have eased across the eurozone's largest economy. The rates of increase in both input costs and average charges for goods and services reached their lowest since October last year, reflecting a sustained cooling of service sector price pressures.

The **HCOB Flash Germany Composite PMI Output Index** registered 50.3 in July, coming in just below June's reading of 50.4 and remaining slightly above the 50.0 no-change threshold. Higher production levels were recorded in the manufacturing sector for the fifth month in a row at the start of the third quarter. That said, the rate of growth was the weakest in this sequence and only marginal overall (index at 50.6). This was partly offset by a stabilisation of activity in the service sector (index at 50.1) following three months of contraction.

The marginal increase in business activity in July was supported by a similarly small rise in total **new business**. Notably, service providers recorded a first uptick in inflows of new work since August last year. Reports from surveyed businesses highlighted signs of improved market conditions, an increased number of customer inquiries and positive spillovers from other parts of the economy. New orders in the goods-producing sector were meanwhile broadly unchanged, after having recorded the largest rise in over three years in June. Manufacturing **export sales** did, however, continue growing, offsetting declining intakes of new work from abroad in the service sector.

In line with signs of a pick-up in underlying demand, latest data showed an improvement in **firms' growth expectations** for the coming year. The degree of optimism reached the highest since May 2024, buoyed by a notable increase in confidence among services firms. Sentiment in manufacturing ticked down from June's recent high, but it nevertheless remained stronger than the long-run series average.

Despite firms growing more upbeat about the outlook, they continued to trim **workforce numbers** during July. Furthermore, latest data marked the first broad-based reduction in employment so far this year as services firms reported a modest paring back of staffing capacity. A slower pace of job shedding in manufacturing did, however, mean that the overall rate of decline in employment was unchanged from the month before.

The scaling back of workforces was consistent with signs of spare capacity across the private sector, as evidence by a further decrease in **backlogs of work** in July. That said, rates of depletion slowed in both manufacturing and services, resulting in the smallest drop in outstanding business for nearly three years.

Turning to prices, July's flash data signalled a further easing of inflationary pressures across the German private sector. The rate of increase in **input costs** slowed for the sixth month in a row to the weakest since last October. Alongside a sustained – albeit slightly softer – drop in manufacturing purchasing costs, which panellists linked to lower raw material prices and exchange rate factors, there was a slowdown in the rate of increase in service sector operating expenses for the fifth time in the past six months.

Average **prices charged** for goods and services likewise rose more slowly in July. Notably, service providers recorded the weakest increase in output prices for more than four years. Factory gate charges meanwhile fell for a third month in a row and to the greatest extent since February.

Comment

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

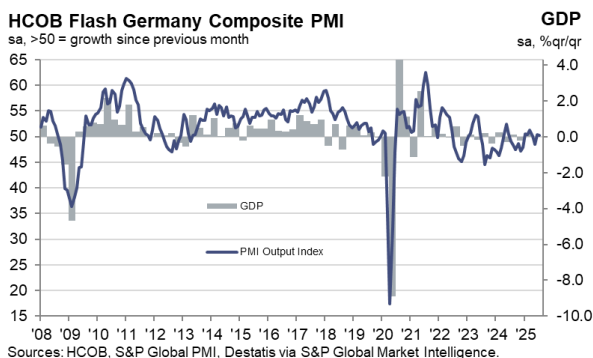
“The economic situation in the manufacturing sector remains fragile, as underscored by the headline PMI remaining below the 50 mark. However, the fact that production in this sector has now expanded for five months in a row is encouraging. Given the sustained rise in export orders over the past four months, it is reasonable to anticipate a continued expansion in output. Against this backdrop, manufacturing companies have also slowed the pace of job cuts. Overall, we see increasing signs of a recovery in the manufacturing sector, a picture that is confirmed by the latest investment initiative by key business leaders and supported by the measures taken by the federal government, including more favourable depreciation conditions for investments since July 1. Even higher US tariffs should not fundamentally change this outlook.”

“The service sector is no longer acting as a drag on the economy but has returned to growth, albeit at a rate that can be described as marginal at best. After ten months of decline, new business is showing slight growth, and sentiment has improved as companies are significantly more confident that they will have expanded their activities in twelve months' time. The brightening outlook is in line with our expectation that rising real wages and expansionary fiscal policy should help the sector as a whole to regain its footing.”

“Inflation has eased again in sales prices. Prices are falling in industry, as the stronger euro is leading to lower import prices and tariff barriers in the US are also likely to support the downward trend in prices here. The disinflationary trend is continuing in the service sector, with lower goods prices and less rapid wage growth providing tailwinds, at least temporarily.”

“With the relatively favourable start to the third quarter, our GDP nowcast, which also takes the HCOB PMI indicators into account, points to relatively solid growth, driven by both the industrial and service sectors. However, given the many unknowns and the lack of data at this stage, this is only a very preliminary statement.”

-Ends-



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Note to Editors

Final July data are published on 1 August for manufacturing and 5 August 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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