

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Germany PMI®

Business activity growth quickens in January, but labour market conditions deteriorate

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 52.5 (Dec: 51.3). 3-month high.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 53.3 (Dec: 52.7). 3-month high.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 50.5 (Dec: 48.3). 2-month high.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 48.7 (Dec: 47.0). 3-month high.

Data were collected 12-21 January.

Business activity growth regained some momentum across Germany's private sector at the start of the year, according to the latest 'flash' HCOB PMI® survey, with output levels rising at the quickest rate for three months. The upturn was supported by a renewed increase in inflows of new orders. However, despite business expectations for the year ahead also improving, January saw a deterioration in labour market conditions as employment fell at the quickest rate since mid-2020 and across both services and manufacturing.

The latest data meanwhile showed a steep and accelerated rise in businesses' input costs, which recorded the strongest rate of inflation for almost three years. This in turn contributed to a notable uptick in the rate of increase in output prices to its highest since May 2023.

The **HCOB Flash Germany Composite PMI Output Index** came in at 52.5 in January, up from 51.3 in December and the highest for three months. The latest reading was broadly in line with the series long-run average. Growth was led by the service sector, which recorded a solid increase in business activity that was the quickest since last October (index at 53.3). Manufacturing production meanwhile returned to growth after slipping into contraction for the first time in ten months in December, albeit registering only a marginal expansion (index at 50.5).

Total inflows of **new business** rose for the third time in the past four months in January, following a slight decline at the end of 2025. The latest increase was driven mainly by the service sector, where inflows of new work rose at a solid and accelerated pace. There was also a small positive contribution from the manufacturing sector which, after seeing solid back-to-back decreases in new orders in the previous two months, recorded a fractional uptick in January. Total **inflows of new business from abroad** meanwhile came close to stabilising, as a solid increase in the service sector coincided with a much slower decline in manufacturing.

January meanwhile saw a noticeable improvement in **firms' expectations** for business activity in the next 12 months. The increase, which reflected much greater optimism in the service sector, meant that overall sentiment was the most positive since February 2022.

However, despite increases in activity, new work and confidence, January's flash data showed a worsening of labour market conditions across the German private sector. Excluding the pandemic, **employment** fell at the quickest rate since November 2009. Although the decline in payroll numbers continued to be led by the manufacturing sector, it was a solid decrease in service sector staffing levels – the quickest for over five-and-a-half years – that drove the faster decline in overall employment.

The latest reduction in employment was seen alongside signs of underutilised capacity, with January data indicating a further broad-based decrease in **backlogs of work**. Furthermore, the overall rate of depletion was the quickest recorded since

September last year.

At the same time, businesses faced a steep and accelerated increase in input prices at the start of the year. Rates of cost inflation quickened in both manufacturing and services to their highest for 37 and 11 months respectively, with the latter recording the stronger overall increase. Higher wages were widely reported, with surveyed firms also mentioning increases in the cost of energy, metals and transport.

Heightened cost pressures, combined with stronger underlying demand, in turn led to a notable pick-up in the rate of **output price inflation** in January. The pace of increase was the quickest for more than two-and-a-half years and back firmly above the long-run series average. The result owed almost exclusively to more aggressive pricing among service providers, with average factory gate charges falling at a modest pace that was little-changed from the month before.

Comment

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

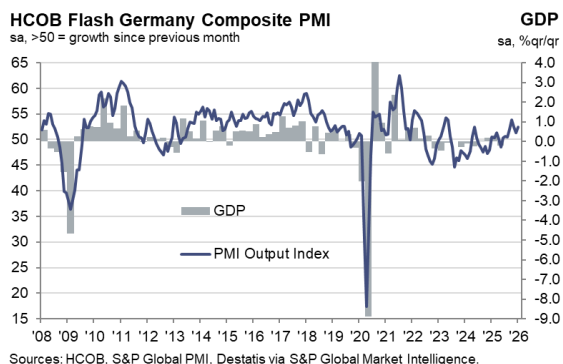
“The data show a good start to the new year, overall. Output in the manufacturing sector returned to - albeit meagre - growth, and so did new orders. Even more encouraging is the stronger pickup in activity in the services sector. Looking ahead, confidence has risen noticeably in the services sector and has held at a solid level in manufacturing.”

“While there are signs of a modest recovery, services companies have trimmed their workforce significantly in January, which might point more to efficiency measures than to concerns about demand. In manufacturing, the process of cutting jobs has continued unabated. Since this has been ongoing since mid-2023, there’s now a lot of debate about whether this is a structural issue, one that would require structural answers in the form of reforms that are anything but easy to implement.”

“In the services sector, the situation has brightened quite a bit. Pricing power seems to have increased significantly as sales price inflation has moved up. While that partly reflects higher input costs, the rise in sales price inflation has been even stronger. With new business growing more robustly than last month, service providers are becoming more self-confident – something that also shows up in their much higher optimism for future activity.”

“Meanwhile, the International Monetary Fund has upgraded its 2026 GDP growth forecast for Germany by 0.2 percentage points to 1.1%, reinforcing the sense that growth prospects are improving. Still, the recovery remains rather fragile. The continued drop in inventories and another decline in backlogs of orders in manufacturing are clear examples. Yet, the unusually large fiscal stimulus through much higher spending on defence and infrastructure should provide a noticeable boost to the economy.”

-Ends-



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Note to Editors

Final January data are published on 2 February for manufacturing and 4 February 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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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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