NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Manufacturing PMI®

Production contracts for first time in ten months in December

Key findings:

HCOB Germany Manufacturing PMI at 47.0 (Nov: 48.2). 10-month low.

HCOB Germany Manufacturing PMI Output Index at 48.3 (Nov: 50.9). 11-month low.

Input costs rise for first time in almost three years

Data were collected 4-16 December 2025.

Germany's manufacturing sector endured a further setback as 2025 ended, with goods producers recording a decrease in output for the first time in ten months amid a sustained decline in demand, the latest HCOB PMI® survey data showed. The downturn, which was driven in large part by falling export sales, also led to deeper cuts to employment, purchasing and stocks of inputs.

Elsewhere, the latest data pointed to tighter supply-side conditions, with lead times on purchases lengthening for a fourth straight month and input costs rising for the first time in almost three years. Competitive pressures nevertheless led to a further decrease in factory gate prices.

More positively, manufacturers remained optimistic about the outlook for production, with expectations climbing to their highest in six months.

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 – fell deeper into sub-50 contraction territory in December, dropping from 48.2 in November to a ten-month low of 47.0.

The deterioration in business conditions was exemplified by a renewed fall in production. Output levels had previously risen for nine months in a row before recording a modest decline in the final month of the year.

German manufacturers scaled back production having faced another drop in new orders in December – the third decrease in the past four months. Furthermore, the latest reduction was the most marked since last January. Panellists reported difficulties securing new work both at home and abroad. Not only did export sales fall for a fifth consecutive month, but the rate of decline accelerated to the fastest since December 2024.

German goods producers remained firmly in retrenchment mode, cutting employment, purchasing activity and stocks at the end of the fourth quarter. Workforce numbers fell to the greatest extent for six months, while the rate of decline in buying levels reached the fastest for just under a year. Stocks of purchases held by manufacturers likewise recorded a steep decline that was the sharpest seen since early 2025, whereas post-production inventories fell at the slowest rate for three months.

Although German manufacturers reduced their demand for inputs, they faced increased supply-chain pressures in December. Not only did lead times on purchases lengthen for a fourth straight month, but the latest deterioration in vendor performance was the most pronounced since September 2022. Surveyed firms remarked on the influence of reduced capacity at suppliers and trade frictions.

Furthermore, goods producers reported a rise in average input prices for the first time in almost three years in December. Metals were a key driver of cost inflation, according to reports from panel members.

Strong competition for work meant that manufacturers were generally unable to pass on higher costs to customers, and instead they reduced output prices on average in December. The rate of decline was slightly quicker than in November and marginally exceeded the average for the year as a whole, although it was still only modest.

As for the outlook, December's survey brought more encouraging news, showing business expectations improve for the second month in a row and reach the highest since last June. Surveyed firms mentioned hopes of a boost to demand from new products and increased defence and infrastructure spending.

Comment

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

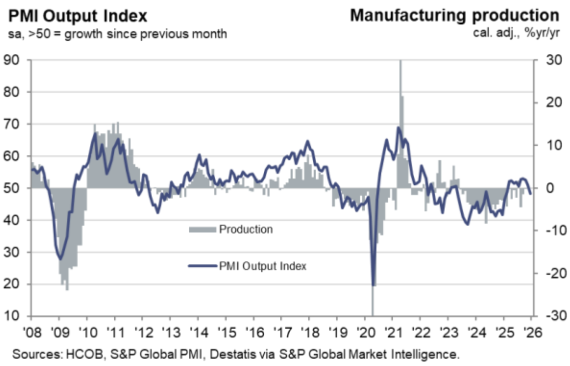
"Manufacturing had shown hints of recovery earlier in 2025, but the downturn has deepened again in December, driven by investment and consumer goods. The headline PMI index has slipped to its lowest point since last February. The sharp decline in export orders, which have now fallen for the fifth month in a row, points to a very weak start to 2026.

"In December, industry was affected not only by weak demand and falling sales prices, but also by rising input prices, which came as a surprise. Over the past few months, these prices had shown signs of stabilising, but an increase is something that has not happened for almost three years. This increase could be due to the higher prices of industrial metals such as copper and tin, which were more expensive in euro terms both compared to the month before and a year ago.

"Inventories of purchased goods have fallen at an accelerated pace over the past three months. With orders drying up, companies also want to save on inventories and are reducing them. Stocks of inputs have been falling since the beginning of 2023, which is unusually long, and developments over the past three months give no hope for a turnaround anytime soon.

"Staff reductions continued almost unabated in December. Lower investment and cost-saving measures likely drove that trend. The accelerated depreciation option, which has been available since last July, has obviously not yet had any visible effect. With the start of government-backed infrastructure projects and the booming demand for defence equipment, things could look different in 2026. In fact, more companies now expect higher production a year from now."

-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 88% 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.

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S&P Global (NYSE: SPGI)

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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.).

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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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