

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Flash Germany PMI<sup>®</sup>

## German business activity broadly stable in January

### Key findings:

HCOB Flash Germany Composite PMI Output Index<sup>(1)</sup> at 50.1 (Dec: 48.0). 7-month high.

HCOB Flash Germany Services PMI Business Activity Index<sup>(2)</sup> at 52.5 (Dec: 51.2). 6-month high.

HCOB Flash Germany Manufacturing PMI Output Index<sup>(4)</sup> at 45.2 (Dec: 41.7). 8-month high.

HCOB Flash Germany Manufacturing PMI<sup>(3)</sup> at 44.1 (Dec: 42.5). 8-month high.

Data were collected 9-22 January

Business activity was broadly stable across Germany's private sector in January, according to the latest HCOB 'flash' PMI<sup>®</sup> survey. Whilst this represented an improvement on the declines in activity seen in the second half of 2024, there remained a lack of dynamism in the economy due to weakness in underlying demand, which was highlighted by a further – albeit slower – decrease in new business. With activity levels being supported to some extent by work on backlogged orders, firms continued to scale back capacity via further job cuts. That said, the extent to which employment fell at the start of the year was only modest as businesses showed more optimism towards the outlook.

Notably, January saw a further increase in price pressures across the eurozone's largest economy. Driven by steeply rising costs, average prices charged for goods and services showed the fastest rate of inflation for 11 months.

The **HCOB Flash Germany Composite PMI Output Index** registered 50.1 in January, up from 48.0 in the final month of 2024 and broadly in line with the 50.0 no-change threshold. The result ended a six-month sequence of sub-50 readings. By broad sector, there remained a dichotomy between rising services activity and falling manufacturing production. Growth in the service sector picked up to a modest pace that was the quickest since last July (business activity index at 52.5). The decline in goods production meanwhile eased notably since December to the weakest for eight months although, at 45.2, the manufacturing output index was still firmly in contraction territory.

Latest data indicated a sustained decrease in demand for goods and services across Germany. **Inflows of new business** fell in both monitored sectors, albeit with the respective rates of decline easing from the month before. Weakness remained centred on the manufacturing sector, where strong competition from non-domestic producers was reportedly compounded by customers holding back spending due to economic and political uncertainty. **New export business** received by German firms continued falling during January, albeit at the softest rate for eight months.

The dearth of new work led to a further reduction in the amount of **outstanding business** (i.e. orders or projects awaiting completion) across the German private sector, thereby maintaining a sequence of decline stretching back two-and-a-half years. The rate of backlog depletion remained historically marked, but it eased for the third time in the past four months to the weakest since mid-2024.

With firms having more than sufficient capacity to deal with current output requirements, they continued to trim **workforce numbers** during January. However, owing to a slight rise in staffing levels among service providers – the first for seven months – the overall rate at which employment fell was the weakest since June last year.

Increased fuel prices, a higher CO<sub>2</sub> tax and wages were the main drivers of a sharp and accelerated rise in service sector **input costs** in January, according to qualitative evidence gathered by the survey. With the decline in manufacturing purchase prices easing noticeable from the previous month, the overall rate of input cost inflation reached the fastest in almost two years.

It was a similar story for **output prices** as a faster increase in service sector charges coincided with a reduction in the degree of discounting amongst goods producers. The result was a third straight monthly increase in the overall rate of output price inflation to the quickest since February 2024.

Looking ahead, businesses showed greater optimism towards future activity in January. **Expectations** improved in both monitored sectors, but particularly sharply in manufacturing where the degree of the confidence was the highest for almost three years. Among the firms forecasting growth in the year ahead, some mentioned tentative signs of a market recovery as well as hopes for a post-election upturn in the economy.

## Comment

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

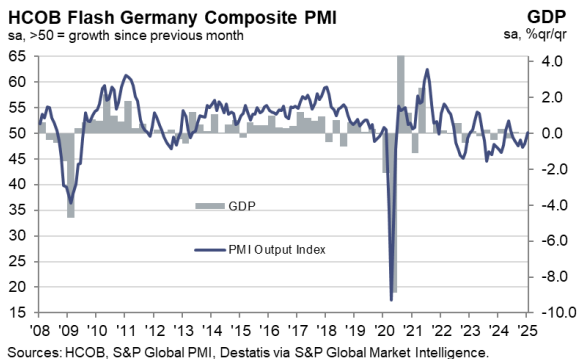
*"Is this the unexpected Trump effect? It looks as if companies see good reasons to put pessimism aside. Companies in the services sector have increased their activity for the second month in row after a short-term blip in November. Manufacturing output is shrinking at the slowest rate since mid-2024, and the new order situation has eased a bit too. This shift towards optimism is highlighted by a much better outlook on future activity, which goes hand in hand with the German DAX index outperforming the US-based S&P 500 in January."*

*"This is great news for the services sector. Not only has activity picked up pace, but services companies have also stopped trimming their staff and actually increased employment for the first time since June last year. This aligns with the more positive outlook on future activity."*

*"The PMI offers some hope that Germany might dig itself out of the recessionary phase of the past two years. The headline composite PMI has crossed the 50 threshold for the first time since early summer last year, thanks to a stronger services sector and an easing recession in manufacturing. The latter's performance will not only hinge on US actions regarding tariffs but also on the plans and measures of the new German government after the general elections in February."*

*"On the price front, there's no relief in the services sector. Input price increases have accelerated, likely due to the higher CO2 tax that kicked in on January 1st, affecting sectors like transport and hospitality. The good news is that seemingly services companies are strong enough to pass at least part of these price increases onto their clients."*

-Ends-



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**Note to Editors**

Final January data are published on 3 February for manufacturing and 5 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 <sup>1</sup>	0.0	0.4
Manufacturing PMI <sup>3</sup>	0.0	0.3
Services Business Activity Index <sup>2</sup>	-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](mailto: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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