

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0930 CEST (0730 UTC) 23 September 2025

HCOB Flash Germany PMI[®]

German output growth at 16-month high in September, but business expectations soften

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 52.4 (Aug: 50.5). 16-month high.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 52.5 (Aug: 49.3). 8-month high.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 52.2 (Aug: 52.9). 2-month low.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 48.5 (Aug: 49.8). 4-month low.

Data were collected 11-19 September.

September saw an uptick in business activity growth across the German private sector, according to the latest 'flash' HCOB PMI[®] survey data. Output rose to the greatest extent for 16 months, driven predominantly by a renewed upturn in the service sector. There were, however, signs of fragile demand, with the latest data indicating a broad-based decrease in inflows of new work. Employment also fell in both monitored sectors, amid a general weakening of business expectations for the year ahead.

On the price front, September flash data showed a slight pick-up in inflationary pressures, with the rates of increase in input costs and output charges accelerating to their fastest for six and five months, respectively.

The **HCOB Flash Germany Composite PMI Output Index** registered above the 50.0 no-change threshold for a fourth straight month in September. Furthermore, rising from August's 50.5 to 52.4, the index signalled a notable acceleration in the pace of growth to the quickest since May 2024. The stronger performance at the end of the third quarter reflected a renewed increase in service sector business activity (index at eight-month high of 52.5) that followed a slight decrease in August. Here, surveyed businesses often commented on the start of new projects. Manufacturing output also rose on the month, maintaining a sequence of expansion seen since March, but the rate of growth ticked down slightly from August's near three-and-a-half year high (index at 52.2).

A lack of **new business** was a general theme across the private sector in September. Inflows of new work were down in both manufacturing and services, with the former recording its first decrease in four months and one that was the most marked since January. Goods producers also noted a second straight monthly reduction in export sales. The decline in service sector new business meanwhile eased slightly and was modest.

Firms generally used **backlogs of work** to support output levels during September. Outstanding business, which has shown a continuous decline since August 2022, fell across both monitored sectors. Manufacturers recorded the steeper rate of depletion and the quickest for nine months.

Although **business expectations** for the year ahead remained positive across the German private sector, September saw the degree of confidence soften for a second successive month and fall back below the long-run average. Comments from surveyed companies showed a range of factors weighing on sentiment, including a sluggish economy, still-high levels of business uncertainty and elevated operating costs. Of the two monitored sectors, manufacturing recorded the more marked drop in expectations.

Input cost inflation ticked up for the second month in a row in September, taking it to its highest since March. The result reflected a stronger increase in service sector operating expenses, with purchase prices faced by goods producers falling at a quicker rate than the month before. The rate of increase in **output prices** likewise ticked up at the end of the third quarter,

bringing it back broadly in line with its long-run average. As with costs, the stronger rate of output price inflation was driven by the service sector, which saw the greatest increase in prices charged for six months.

The combination of a lack of pressure on staffing capacity, weaker business expectations, and greater cost pressures led to a further deterioration in German labour market conditions in September. **Employment** fell for a sixteenth successive month, with the pace of decline the fastest recorded so far this year. The decrease in staffing levels was led by the manufacturing sector, where headcounts posted the steepest fall for three months, although the pace of staff shedding also quickened slightly in services.

Comment

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

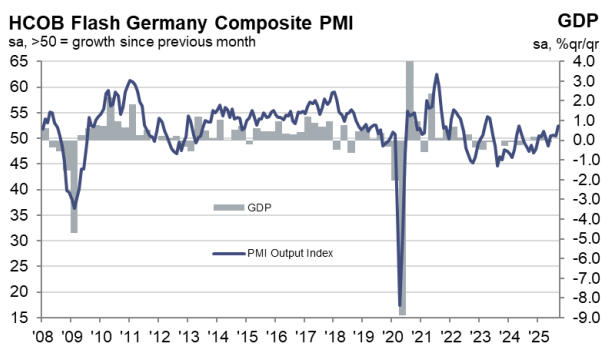
“Trouble seems to be brewing in manufacturing. Sure, companies have been ramping up production for seven straight months, but new orders took a nosedive in September. If demand, both at home and abroad, keeps dropping, it won’t be long before firms hit the brakes on production, too.

“The services sector picked up a bit of steam in September. It is back in growth territory, expanding at the joint-fastest pace we have seen all year. That is a turnaround after five months of mostly declining activity. Still, companies are not exactly bursting with confidence. They have actually dialled back their optimism a notch. Given that orders, including those from abroad, are falling again, it is not hard to see why.

“Costs remain a headache for service providers. In September, input costs, which include wages and energy, rose at the fastest rate since April, pushing services input price inflation further above the long-term average. At least services firms managed to pass some of those higher costs on to their customers. Even so, profits are likely under pressure, which probably explains why jobs in this sector have been cut for two months running.

“The overall economy is growing at its fastest clip in 16 months. But do not get too comfortable. Orders are under pressure, especially in manufacturing but also in services, signalling another slowdown could be on the horizon. Despite the promise of billions in capex and investment incentives, business expectations for the year ahead are pretty muted. That is unlikely to change until these investment projects really get off the ground and become visible, not just here and there, but across the board.”

-Ends-



Contact

Hamburg Commercial Bank AG

Dr. Cyrus de la Rubia
Chief Economist
T: +49-160-90180-792
cyrus.delarubia@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence

Phil Smith
Economics Associate Director
T: +44-149-146-1009
phil.smith@spglobal.com

Hannah Brook
EMEA Communications Manager
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

Note to Editors

Final September data are published on 1 October for manufacturing and 3 October 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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