

S&P Global Germany Services PMI[®]

Service sector growth slows sharply in March amid renewed weakness in demand

March 2026

Business Activity Index sinks to seven-month low of 50.9

New business falls for first time since last September

Output price inflation eases despite spike in cost pressures

March saw an abrupt slowdown in business activity growth across the German service sector, the latest PMI[®] survey results showed. The near-stalling of growth reflected renewed weakness in demand, which was in turn linked by businesses to the fallout from the war in the Middle East. A surge in cost pressures – again linked to the Middle East conflict – was recorded at the end of the first quarter, but this was largely absorbed by firms as average prices charged posted the slowest rise for three months.

The headline S&P Global Germany Services PMI[®] Business Activity Index is based on a single question asking how the level of business activity compares with the situation the month before.

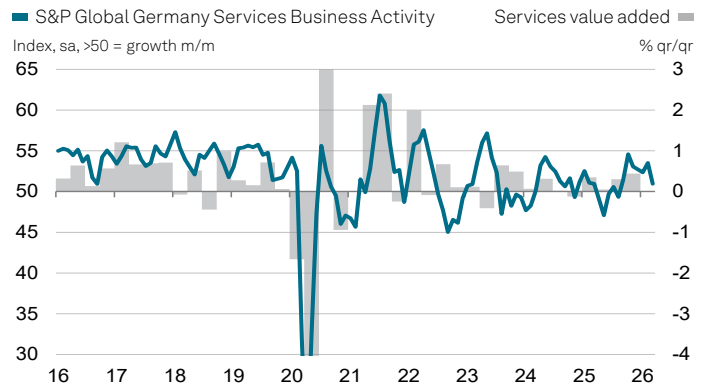
A reading above 50.0 signals expansion, and the further above 50.0 the faster the rate of growth signalled.

The headline Business Activity Index came in at 50.9 in March, down from 53.5 in February. This was the lowest reading since growth resumed last September, and it was indicative of only a modest rate of expansion that was below the long-run series average.

The loss of momentum in the service sector reflected signs of renewed weakness in demand. Inflows of new work received by German service providers fell in March, thereby ending a five-month sequence of growth. Qualitative evidence provided by surveyed business indicated the adverse impact of the outbreak of war in the Middle East, with firms reporting heightened uncertainty among customers and a squeeze on spending from rising fuel prices. Tighter financial conditions were also mentioned.

The downturn in total inflows of new work partly reflected a decrease in new business from abroad, which fell modestly after rising in each of the previous three months.

The level of business activity was supported to some degree by service providers working through their outstanding business (i.e. new order or projects awaiting completion). March saw work-in-hand post a solid decline that was the most marked since last September. This followed a slight increase in backlogs the month before, which was only the



Data were collected 12-26 March 2026.

Sources: S&P Global PMI, Destatis via S&P Global Market Intelligence. © 2026 S&P Global

Comment

Phil Smith, Economics Associate Director at S&P Global Market Intelligence:

"The war in the Middle East has put the brakes on growth in the service sector. Higher prices at the fuel pumps and heightened levels of uncertainty have weighed on spending and caused business activity growth to slow sharply to its weakest for seven months in March.

"Inflows of new business have fallen for the first time since last September in a clear sign of the Middle East war's immediate impact on demand, whilst a notable drop in business expectations underlines how higher energy prices, supply chain disruption and generally elevated levels of uncertainty are set to stifle growth in the year ahead.

"Despite sharply rising costs, service providers haven't been able to push through greater price increases to customers, with the weaker demand environment leading to the slowest rate of services price inflation for three months in March. The lack of pricing power in the service sector is important from a monetary policy perspective, as it limits the amount of upward pressure on core inflation, a measure that the ECB will be closely watching when considering interest rate increases."

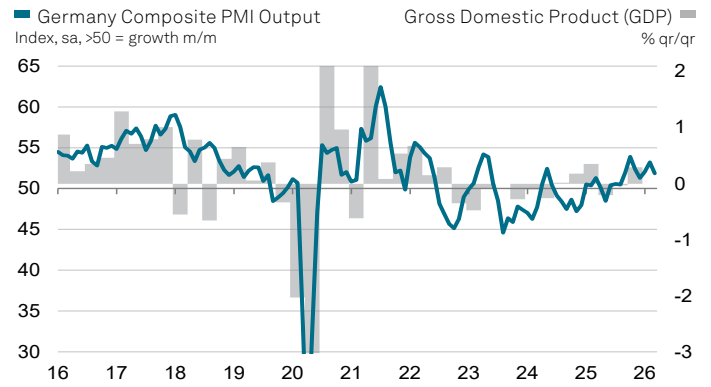
second time a rise had been recorded in nearly two years.

Elsewhere, the latest survey results indicated an intensification of cost pressures across the service sector. The rate of input price inflation jumped to its highest level since February 2024, and in doing so it moved even further above its long-run average. Several surveyed firms remarked on higher fuel prices, while wages, interest rates and raw materials were also highlighted as sources of cost inflation.

The challenging demand environment, however, meant that increased operating expenses were often absorbed by firms. Average prices charged rose at the slowest rate seen so far in 2026, albeit one that was still above the historical series trend.

Employment meanwhile fell across the German services sector for the third month in a row in March. Firms that reported lower workforce numbers cited factors such as financial pressures, underutilised capacity and a challenging outlook.

Expectations towards business activity in the next 12 months took a noticeable hit in March. Confidence fell to its lowest level in the year-to-date and moved back below its long-run average. Reports from panellists indicated concerns over energy prices, supply chain disruption and general uncertainty towards the geopolitical environment.



Sources: S&P Global PMI, Destatis via S&P Global Market Intelligence. © 2026 S&P Global

S&P Global Germany Composite PMI®

Private sector growth slips to three-month low

The S&P Global Germany Composite* PMI Output Index ticked down from February's 53.2 to a three-month low of 51.9 in March. The slowdown owed entirely to the service sector, with manufacturing output growth at a 49-month high.

Overall inflows of new work were broadly unchanged as weaker demand for services was offset by a pick-up in factory orders. However, employment fell universally, as did expectations for activity in the coming year.

Cost inflation increased across the board, but rose particularly sharply in manufacturing, while average output prices rose at only a slightly faster rate.

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Methodology

The S&P Global Germany Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies.

The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in June 1997.

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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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