

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

## May sees rates of decline in output and new orders ease sharply

### Key findings:

HCOB Germany Manufacturing PMI at 45.4 (April: 42.5). 4-month high.

HCOB Germany Manufacturing PMI Output Index at 48.9 (April: 45.4). 13-month high.

Business expectations improve once again

Data were collected 10-23 May 2024.

Business conditions in the German manufacturing sector showed further signs of steadying in May, with the latest HCOB PMI<sup>®</sup> survey conducted by S&P Global indicating much slower declines in both output and new orders than those seen in April. Business confidence towards growth prospects in the year ahead also perked up, although there was another marked drop in employment in line with a lack of pressure on operating capacity.

The decline in purchasing activity among goods producers eased midway through the second quarter, but it nevertheless remained sharp amid ongoing destocking efforts. Competitive pressures in turn led to further decreases in both input costs and output prices.

The **HCOB Germany Manufacturing PMI<sup>®</sup>** – which is a gauge of overall business conditions derived from measures of new orders, output, employment, supplier delivery times and stocks of purchases – rose for the second month running in May, climbing from April's 42.5 to 45.4. Although still firmly below the 50.0 no-change threshold, the latest reading was the second-highest in the past 15 months.

The main positive directional influence came from new orders, which posted a much slower decline than in April and one that was the weakest overall for two years. A near-stabilisation in exports sales was a key factor, as firms highlighted improved demand from both China and the US.

The rate of contraction in production likewise eased considerably midway through the second quarter. Output fell at only a modest pace that was the softest recorded since the current sequence of decline began in May 2023. Makers of intermediate goods even recorded a solid rise in production.

Backlogs of work continued falling sharply during May, despite the rate of depletion easing to the weakest for 20 months. As such, another round of job cuts was seen across the manufacturing sector, extending the current sequence of decline in employment to nearly a year. The rate of staff shedding remained quicker than the average over this period and was little-changed from that recorded in April.

Although manufacturers continued to show a willingness to reduce workforce numbers, they registered greater optimism towards growth prospects in the year ahead. Expectations improved for the third month running and were the highest since February 2022, supported by hopes of lower interest rates leading to a pick-up in investment and economic activity in general.

On the inventory front, May's survey showed steep and accelerated reductions in stocks of both finished goods and inputs. In the case of the latter, the rate of depletion was one of the fastest seen since 2009. Firms often reported efforts to streamline inventories and reduced purchases of inputs accordingly. The rate of decline in buying levels was the weakest since September 2022, but it was much faster than the concurrent fall in output.

Competition among suppliers resulted in further downward pressure on average prices paid for purchases in May. The rate of decline even quickened for the first time in six months (although it was still the second-slowest since February 2023). Supplier delivery times meanwhile quickened again, albeit with the improvement being the least marked for three months.

Efforts to secure new business also led manufacturers to reduce average factory gate charges in May, the twelfth month in a row in which this has been the case. The rate of decline was a solid and little-changed from that recorded in April.

### Comment

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

*"Finally, there is light at the end of the tunnel. With the global manufacturing environment having already improved in recent months, the spark now seems to be catching on with German producers. The output index made a significant leap towards the 50 no-change mark in May, indicating that companies have barely reduced their production on average. This is a stark contrast to the previous twelve months, which saw consistent and substantial declines in output."*

*"While not yet at an ideal point, there are signs of a turnaround. New orders are still declining, but it looks like we could see an increase in demand in the coming months after more than two years of drought. The new orders index jumped six points, indicating a potential catch-up. This aligns with the accelerated decline in inventory levels, suggesting that many companies may have underestimated demand and had to dip into their stocks of finished products and intermediate goods."*

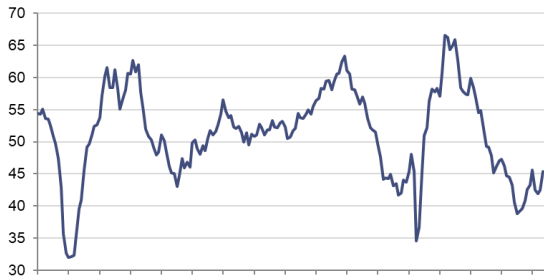
*"Demand is still weak, but there are tentative signs of stability. Companies reduced their purchases of intermediate goods, but to a lesser extent than they did over the previous 19 months. Additionally, the fact that delivery times are not shortening as quickly as in the previous two months suggests a less severe demand situation. Optimism among companies has significantly increased, reaching its highest level since February 2022."*

*"The economic turnaround is most evident in intermediate goods. The relevant PMI has risen for the third consecutive time and is just below the expansion threshold. In capital goods, the index saw a particularly sharp rise in May, but a bit of caution is advised in interpreting this monthly movement given the downward trend in previous months. The consumer goods sector shows few signs of revival, with conditions deteriorating at a similar fast rate as the last two months. Overall, positive trends are emerging in the crucial sectors of capital and intermediate goods, supporting the expectation of a return to growth in the near future."*

-Ends-

**HCOB Germany Manufacturing PMI**

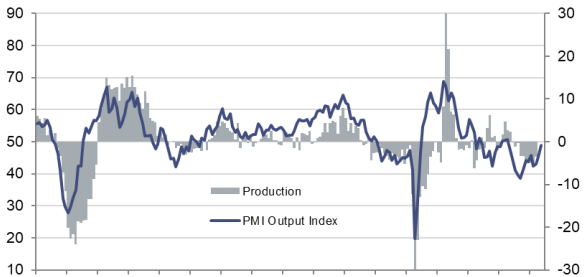
sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

**PMI Output Index**

sa, >50 = growth since previous month



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

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## Note to Editors

The HCOB Germany Manufacturing PMI<sup>®</sup> 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<sup>™</sup> (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 91% 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](mailto:economics@spglobal.com).

## Hamburg Commercial Bank AG

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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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi.html)

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