NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Germany Services PMI®

Service sector enjoys positive start to second quarter as business activity post strongest rise for ten months

Key findings:

HCOB Germany Services PMI Business Activity Index at 53.2 (Mar: 50.1). 10-month high.

HCOB Germany Composite PMI Output Index at 50.6 (Mar: 47.7). 10-month high.

Jobs growth accelerates amid build-up of backlogs

Data were collected 11-25 April.

Germany's service sector made an encouraging start to the second quarter, posting the fastest rise in business activity for ten months, the latest HCOB PMI® survey compiled by S&P Global showed. The upturn was supported by growth in new business, which in turn contributed to a pick-up in the pace of job creation as backlogs of work accumulated across the sector. Activity was expected to continue rising in the year ahead.

At the same time, the survey signalled stubbornly high inflationary pressures across the services economy. Both input costs and output prices increased at rates well above their respective historical averages, albeit with the former posting the slowest rise for six months.

The **HCOB Germany Services PMI® Business Activity Index** – which is based on a single question asking how the level of business activity compares with the situation the month before - improved to 53.2 in April, after registering broadly in line with the 50.0 no-change threshold in March. The latest reading signalled a solid rate of growth that was the quickest seen since June last year.

Stronger underlying demand was behind the pick-up in business activity, the survey showed. Amid reports of increasing client numbers, April saw the level of new business rise across service sector for the first time in ten months. There was evidence the upturn was domestic-driven as new work from abroad fell further. That said, the decline in new export business was the weakest seen since the middle of last year and only marginal.

In a sign of pressures on business capacity increasing at the start of the second quarter, latest data showed a rise in backlogs of work. The increase was only marginal but the first seen in nearly a year.

German service providers exhibited a greater willingness to expand staffing numbers during April, with workloads on the rise. Employment increased at a solid and accelerated rate, and one that was above the average recorded since the survey began in 1997.

Operating expenses continued rising sharply across the service sector during April. Surveyed firms linked this primarily to higher wages, although there were also a number of mentions of an increase in energy prices. Cost inflation remained well above the historical trend rate. It did however ease for the second month in succession to the weakest since October last year.

Facing higher costs, but also stronger demand, service firms raised their own prices, on average, in April. After having eased to a 34-month low at the end of the first quarter, the rate of output charge inflation reaccelerated slightly. It remained considerably higher than the average over the entire series history.

Turning to business expectations, April's survey showed that services firms on balance continued to forecast a rise in activity over the year ahead. The degree of confidence eased slightly from March's 25-month high, but it nevertheless stayed just above the series average. The prospect of lower interest rates was one of the factors driving optimism, alongside plans for greater marketing activity and workforce expansion.

Comment

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

"Wow, what a jump. The German service sector, which was still in the doldrums at the start of the year, is recovering fast. In an encouraging sign, not only did activity expand at the quickest rate in ten months but there were also recoveries in new and outstanding business as well as employment. With respect to the latter, companies have hired more staff for four straight months, which we see as evidence of firms' confidence that their business will remain healthy in the near future.

"The outstanding business index has exceeded the 50 threshold for the first time since mid-2023. While this is just a monthly figure, we anticipate that new business will continue to grow, contributing to a sustained rise in outstanding business. This trend can be attributed to increasing purchasing power amid lower inflation and higher wages.

"Service providers continue to grapple with rapid increases in input costs, encompassing wages and energy expenses. Encouragingly, from a corporate perspective, firms have managed to partially pass on these higher costs to their clients. We interpret this pricing power as a further indication of the overall healthiness of the service sector.

"The German economy, long weighed down by the struggles of the manufacturing sector, finds itself back in growth territory thanks to the resilience of service providers. Surpassing the 50 mark for the first time since June 2023, the HCOB Composite PMI signals a positive shift. However, this doesn't imply that Germany will now storm ahead. Instead, it's more akin to a gentle breeze. Our GDP nowcast, factoring in the HCOB PMIs among other indicators, projects a modest growth rate of just 0.1% for the second quarter."

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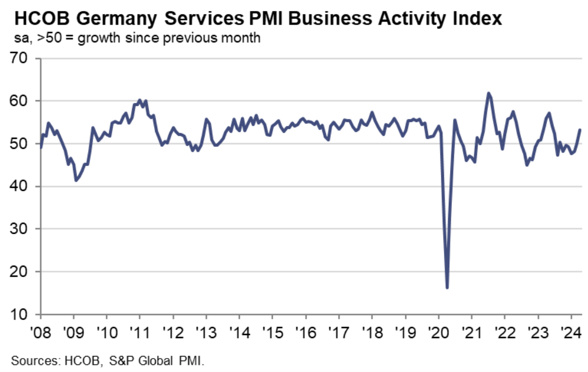
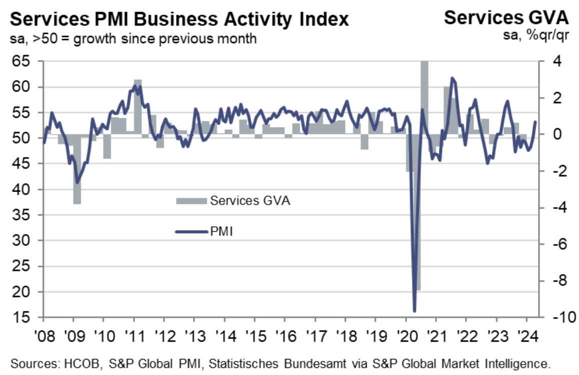




HCOB Germany Composite PMI®

Private sector returns to growth in April

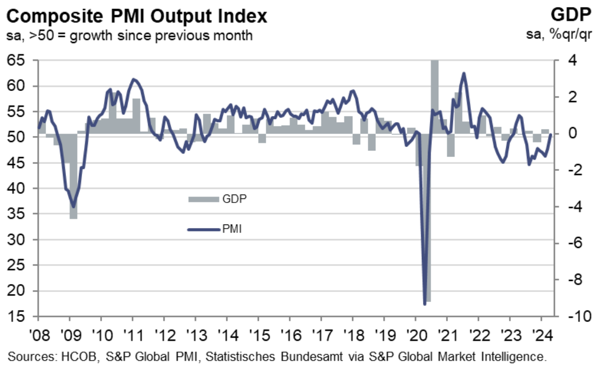
April saw the HCOB Germany Composite PMI Output Index move above the 50.0 no-change threshold for the first time in ten months. At 50.6, up from 47.7 in March, it signalled only a modest rate of growth, as a solid rise in services activity was partially offset by a further – albeit slower - decline in manufacturing output.

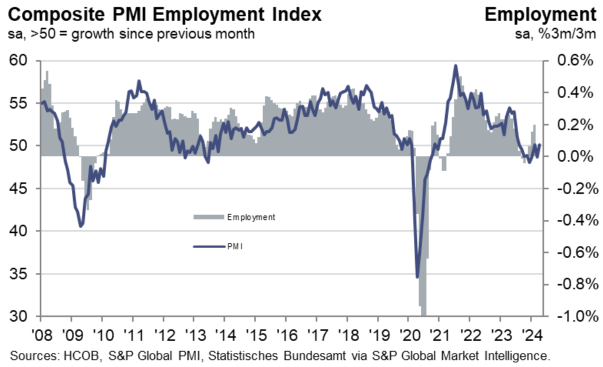
Weak demand for goods continued to weigh on overall inflows of new work, although the rate of contraction did at least ease to the weakest for 11 months amid a pick-up in services new business. The decline in total export sales also softened.

Private sector employment was meanwhile broadly unchanged, following a slight fall in March. Higher services workforce numbers contrasted with further job losses across the manufacturing sector.

Rates of input cost and output price inflation ticked up and were broadly in line with their respective long-run averages. This was despite factory gate charges falling at the fastest rate since 2009.

Business expectations remained positive but dipped slightly from March's 12-month high. Service providers remained more optimistic than manufacturers, but the gap closed somewhat.





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Note to Editors

The HCOB 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.

Flash services data were calculated from 84% of final responses. Flash composite data were calculated from 87% of final responses. Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.6 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is 0.0 (0.4 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.

Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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