

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Germany Services PMI®

## Service sector business activity returns to growth in July

### Key findings:

HCOB Germany Services PMI Business Activity Index at 50.6 (Jun: 49.7). 4-month high.

HCOB Germany Composite PMI Output Index at 50.6 (Jun: 50.4). 4-month high.

Inflationary pressures ease sharply to lowest since early 2021

Data were collected 10-28 July.

Germany's service sector made a positive start to the second half of the year, seeing renewed growth in business activity alongside and an uptick in demand, according to the latest HCOB PMI® survey. The rate of expansion in business activity was only modest as the pace of job creation across the sector slowed, but firms were increasingly optimistic about their growth prospects in the forthcoming year.

Elsewhere, the latest survey data signalled sustained disinflationary forces across the German services economy at the start of the third quarter. Furthermore, the rates of increase in both input costs and output charges eased notably from the month before and were the weakest recorded since early 2021.

The headline **HCOB 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. At 50.6 in July, the headline index was up from 49.7 in June and back above the neutral 50.0 threshold for the first time in four months. The latest reading was indicative of only a marginal rate of growth, however, and one that was slower than the long-run series average.

Surveyed firms highlighted a boost to activity from expanded workforces, new service offerings and a rise in new business. Inflows of new work in fact increased for the first time in almost a year in July, albeit growing only marginally. The uptick in demand was centred on the domestic market, with the latest data showing a further – albeit slower - reduction in the level of new work from abroad.

July saw another decrease in backlogs of work across the German service sector, to extend the current sequence of decline to 15 months. The rate of depletion was solid and slightly quicker than that recorded in June.

Helping services firms to reduce their outstanding business was a further increase in staffing capacity. That said, July's rise in employment was only marginal and the weakest in the current sequence of job creation that stretches back to the start of the year. Although some firms reported taking on new workers to support higher activity, others mentioned the non-replacement of leavers.

Turning to prices, July's survey data indicated a sustained easing of inflationary pressures across the German services economy. Although input costs continued rising, with panellists partly linking this to wage increases, they did so at a noticeably slower rate than the month before, and one that was the weakest overall since February 2021.

At the same time, there was a fifth straight monthly cooling of the rate of prices charged inflation, which sank to its lowest in more than four years in July. It was, however, still slightly above its pre-pandemic historical trend.

Looking ahead, July saw an improvement in services providers' growth expectations for the coming year. Having ticked up for the third month in a row, sentiment moved to its highest since January and back above its long-run average. Surveyed firms commented on company expansion plans, hopes of a boost to demand from lower interest rates and higher household

disposable income, and the prospect of a general upturn in economic conditions, aided by government stimulus.

## Comment

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

*“Germany is entering the second half of the year with growth that, while modest, is evident across the board – both in services and manufacturing. Slightly rising order intakes and moderately improved export business across manufacturing and services combined paint the picture of an economy that is slowly but visibly emerging from a prolonged period of weakness. Following the GDP contraction in the second quarter, we anticipate a return to modest growth in the third.*

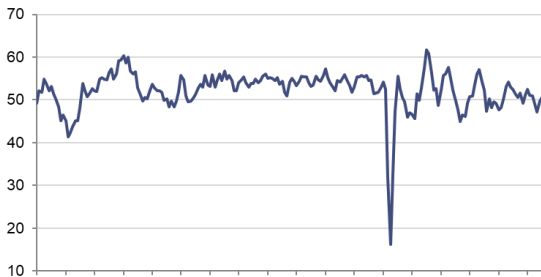
*“In the services sector, business activity picked up again after a three-month dry spell. Particularly encouraging is the increase in new business – the first since August 2024. Companies are also looking to the future with renewed optimism. However, there is no sign of euphoria, and the recovery in the service sector is somewhat fragile, as backlogged orders have shrunk and the employment growth seen since the beginning of the year has almost come to a standstill.*

*“Costs in the services sector rose at their slowest pace since February 2021. This aligns with the European Central Bank’s Wage Tracker, which has shown a decline in annual wage growth since the beginning of the year – wages being a key cost driver for service providers. In this environment, companies raised their selling prices at the weakest rate since April 2021. For the ECB, this is welcome news, especially given Germany’s outsized influence on the Eurozone’s overall inflation rate.”*

-Ends-

**HCOB Germany Services PMI Business Activity Index**

sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

**Services PMI Business Activity Index**

sa, >50 = growth since previous month



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

## HCOB Germany Composite PMI<sup>®</sup>

### Private sector business activity growth edges higher in July

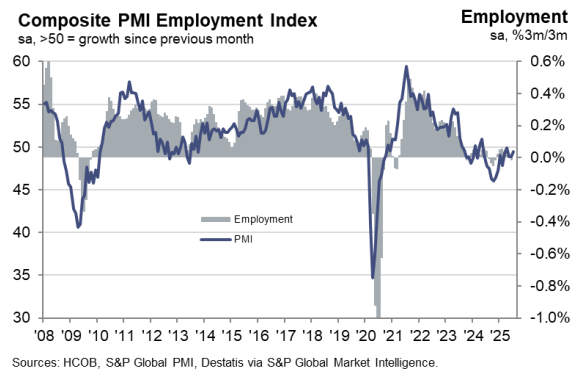
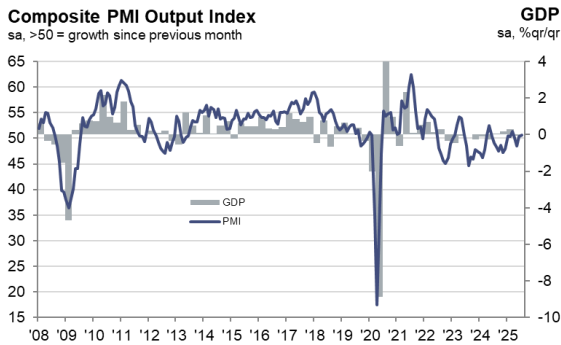
Business activity rose for the second month running and at a slightly faster rate across the German private sector in July. This was signalled by the HCOB Germany Composite\* PMI Output Index ticking up from June's 50.4 to 50.6 – its highest reading since March, but one that still signalled only marginal growth.

A renewed upturn in service sector new business in July offset a slower expansion in manufacturing new orders. Total export sales were meanwhile up for the second month running, albeit increasing more slowly than in June.

Employment fell only slightly and at the slowest rate in three months at the start of the third quarter. Although job creation eased in the service sector, so too did the pace of staff shedding in manufacturing, to the weakest since September 2023. Backlogs showed their softest decline for 15 months.

Inflationary pressures moderated in July, principally reflecting weaker cost and output prices increases in the service sector.

Lastly, latest data showed a services-led rise in business expectations. The degree of optimism was at a six-month high, despite manufacturing seeing the lowest confidence since April.



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## Note to Editors

The HCOB Germany Services PMI<sup>®</sup> 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](mailto: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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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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi.html).

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