

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Germany PMI®

German economy returns to growth in April

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 50.5 (Mar: 47.7). 10-month high.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 53.3 (Mar: 50.1). 10-month high.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 45.0 (Mar: 43.2). 3-month high.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 42.2 (Mar: 41.9). 2-month high.

Data were collected 11-19 April

The German private sector returned to growth at the start of the second quarter, the latest HCOB 'flash' PMI® survey compiled by S&P Global showed, driven by a solid rise in services business activity. Although manufacturing remained in contraction, the rate of decline in factory production eased and confidence amongst goods producers towards the outlook reached the highest for a year. On the price front, rates of both input cost and output price inflation ticked up, but they nevertheless registered broadly in line with their respective long-run averages.

The headline **HCOB Flash Germany Composite PMI Output Index** moved back above the 50.0 no-change threshold for the first time in ten months in April. At 50.5, up from 47.7 in March, it signalled a modest rate of expansion in private sector business activity. The upturn was led by a pick-up in services business activity, which after stabilising in March recorded its strongest growth since June 2023 (index at 53.3). The manufacturing output index meanwhile remained in sub-50 contraction territory (at 45.0), but back-to-back monthly rises saw it move close to January's recent high and signal one of the slowest rates of decline in the past year.

April's flash survey showed contrasting trends in **demand conditions** at the sector level. Whereas services new business rose for the first time in ten months, manufacturers recorded a sharp and accelerated drop in inflows of new work. Demand for services rose moderately at the start of the second quarter, linked in part by surveyed businesses to improved interest among clients. However, this was more than offset by the sharpest drop in factory new orders for five months. Total new business continued falling, albeit at the slowest rate for nearly a year. There was still a considerable drag from falling **export business**, despite the rate of decline easing to the weakest for 12 months.

On the **employment** front, there was likewise a dichotomy between rising workforce numbers in the service sector and further manufacturing job cuts. The rate of hiring in the service sector even quickened slightly and was the second-fastest seen in the past ten months. Payroll numbers in the goods-producing sector meanwhile posted a further marked decline, though the pace of staff shedding did at least ease from March's three-and-a-half year record. Measured overall, employment increased fractionally following a decrease the month before.

Backlogs of work continued falling across the German private sector during April, in line with the trend every month since August 2022. The rate of depletion did however ease to the weakest seen for a year, reflecting a renewed – albeit marginal – increase in the service sector and a softer decline in manufacturing.

Despite manufacturers reporting challenging demand conditions and maintaining a preference for lower workforce numbers, they signalled improved **expectations** towards future production. Factory sentiment was at a 12-month high in April, reflecting increasing hopes of a turnaround in customer enquiries and the general appetite for investment by early next year. Nevertheless, overall business confidence ticked down slightly, as the degree of optimism in the service sector cooled from March's 25-month high.

Latest data meanwhile showed a slight increase in price pressures at the start of the second quarter. The rate of **input cost inflation** ticked up from March's three-month low, bringing it back broadly in line with its historical series average. Operating expenses continued to rise sharply across the service sector, linked in large part to wage increases, while the decline in manufacturing purchase prices slowed notably to the weakest since February 2023.

Output prices likewise rose in April at a rate that virtually matched the series long-run average, having ticked up from March's 37-month low. Higher prices charged were centred on the service sector, where firms reported the pass-through of increased costs to customers. This contrasted with the situation in manufacturing, which saw the steepest rate of decline in factory prices since September 2009 amid strong competition for new work.

Comment

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

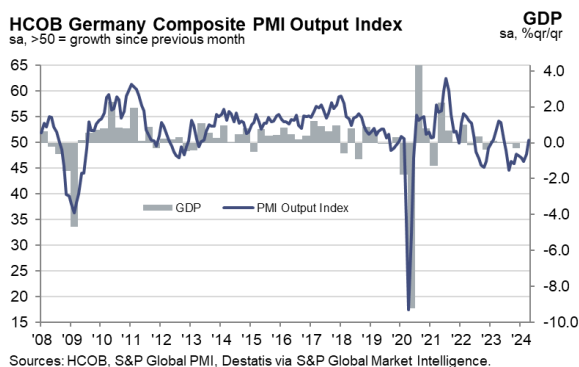
"Is the recession over? This is the obvious question which arises as the German Composite PMI has surpassed 50 in April for the first time since mid-last year. The answer is not straightforward. For starters, it appears that the recession was predominantly concentrated within the manufacturing sector, while the broader economy may have narrowly skirted such a downturn. Secondly, the headline PMI index for manufacturing fails to indicate any significant change in this regard, although output is contracting at a somewhat gentler pace. Lastly, and perhaps most crucially, the services sector is commencing the second quarter on a strong footing. Factoring in the PMI numbers into our GDP Nowcast, we estimate that GDP may expand by 0.2% in the second quarter, following an estimated 0.1% growth in the first quarter, both in comparison to the preceding three-month period.

"The service sector may serve as a catalyst for the overall economy. Comprising approximately two-thirds of the economy, services companies send out clear indications of a more sustained recovery. In addition to the accelerated growth in services activity, there are encouraging signs in the more forward-looking aspect of outstanding business, which has shifted into expansionary territory. Furthermore, the accelerated pace of hiring by companies compared to March is a further indication of optimism.

"Services companies show a good amount of self-confidence. This is reflected in their pricing strategies, among other factors. It indicates their belief that they can pass on the recent increase in input prices to customers to a greater extent than previously. This stands in contrast to companies in the manufacturing sector, where sales prices remain under pressure. On the input side, some companies are evidently grappling with the impact of higher oil prices. However, the overall downward trend in manufacturing input prices that has persisted since the beginning of 2023 remains intact.

"In the manufacturing sector, there are a few good signs, but more bad ones. Production in April experienced a less pronounced decline compared to March and we're seeing a bit more optimism with respect to future output. However, the steeper drop in incoming orders, the sharpest in the past five months, is less encouraging. Additionally, quicker delivery times serve as further evidence of weakening demand. In this context, there are still no indications that the tentative turnaround observed in the global inventory cycle has reached Germany."

-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

Sabrina Mayeen
Corporate Communications
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

Note to Editors

Final April data are published on 2 May for manufacturing and 6 May 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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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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