

# S&P Global Germany Services PMI<sup>®</sup>

## Service sector remains in contraction in May, but expectations rebound

### May 2026

Business activity falls for second month running, albeit at a slower pace

Expectations for activity in the next 12 months rebound from April's low

Output price inflation eases despite persistent strong cost pressures

Business activity fell for a second straight month across the German service sector in May, reflecting a backdrop of subdued demand and elevated cost pressures, the latest PMI<sup>®</sup> survey results showed. Positively, the rate of contraction eased and firms' expectations for activity over the next 12 months rebounded from April's low.

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

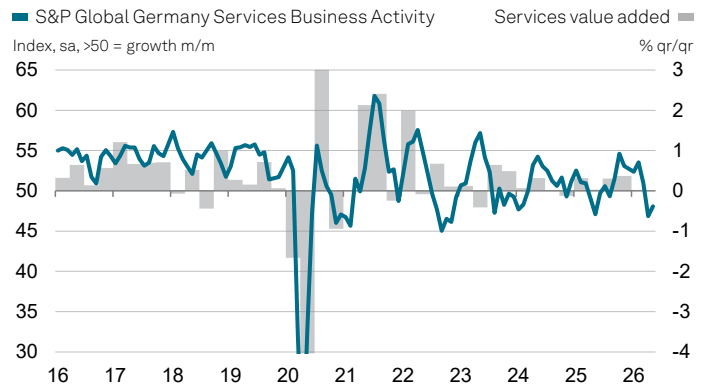
A reading below 50.0 signals contraction, and the further below 50.0 the faster the rate of contraction signalled.

The headline Business Activity Index registered 48.1 in May, up from 46.9 in April. The result marked back-to-back contractions in activity for the first time nearly a year. Reports from surveyed companies linked the latest decrease in business activity to a range of factors including an erosion of spending power due to higher energy costs, more challenging financing conditions facing customers and heightened levels of uncertainty.

These headwinds to demand were underlined by a third successive monthly reduction in new business across the German service sector. The pace of decline in May was, however, the weakest in this sequence and only marginal overall. That was despite firms recording an accelerated decrease in new business from abroad – the steepest seen for a year.

Reflecting reduced intakes of new work, the amount of outstanding business at German service providers decreased again in May, marking the third decline in as many months. The pace at which backlogs were depleted was little-changed from the previous survey period and solid by historical standards.

Service providers responded to falling workloads by cutting workforce numbers during May. This extended the current



Data were collected 12-26 May 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 service sector remained mired in contraction territory in May, thereby raising the prospect of the overall economy also slipping into contraction in the second quarter following a solid growth performance in the opening three months of the year.

"Demand for services continues to be stifled by a squeeze on spending power from the increased cost of energy and heightened levels of uncertainty, although, encouragingly, the rates of decline in business activity and new work eased, offering hope that any downturn in the economy in Q2 would be only modest.

"Services firms reported much greater optimism about the outlook than a month ago, perhaps reflecting increased hopes of an end to the Middle East conflict as well as support to the economy from government policies, though it's notable that confidence hasn't fully returned to the level seen before the war began.

"Inflationary pressures in the service sector remain elevated, but they have at least steadied. Services firms found it more difficult to raise prices in May amid reports of some pushback from clients, which points to a growing pressure on company margins. Whilst we are seeing some job losses in the service sector as firms retrench in the face of the current challenging environment, the rate of decline in employment remained modest in May and even eased slightly from the month before."

sequence of staff retrenchment to five months. That said, having eased since April, the rate of job losses was only modest and the joint-weakest in the aforementioned sequence.

Turning to prices, May's survey results showed sustained strong cost pressures facing German services firms, with the rate of input price inflation holding close to April's three-year high. Surveyed firms remarked on increases in the cost of energy and transportation, as well as rising wage bills.

The upward pressure on operating expenses prompted another substantial rise in average prices charged by service providers in May. That said, whilst remaining well above the long-run average, the rate of output price inflation ticked down from April's 26-month high amid reports from some firms of strong competition for work and a reluctance among clients to accept high prices.

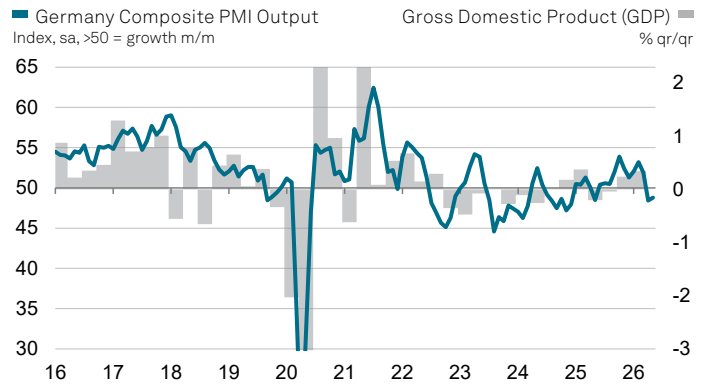
Lastly, May data pointed to a noticeable improvement in business confidence among service firms, with expectations towards activity in the year ahead rebounding from April's low to the highest for three months. According to anecdotal evidence, optimism towards the outlook partly reflected hopes of an improvement in geopolitical conditions.

## S&P Global Germany Composite PMI®

The S&P Global Germany Composite\* PMI Output Index registered in sub-50 contraction territory for the second month running in May. At 48.8, up from 48.4 in April, the latest reading showed a modest rate of decline that was slightly slower than the month before.

There were broad-based decreases in new work, employment and backlogs. On the other hand, business expectations improved in both monitored sectors.

On the price front, input cost inflation accelerated to a 42-month high, but average charges for goods and services rose more slowly than in April.



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

## Contact

Phil Smith  
Economics Associate Director  
S&P Global Market Intelligence  
T: +44-1491-461-009  
[phil.smith@spglobal.com](mailto:phil.smith@spglobal.com)

Hannah Brook  
EMEA Communications Manager  
S&P Global Market Intelligence  
T: +44-7483-439-812  
[hannah.brook@spglobal.com](mailto:hannah.brook@spglobal.com)  
[press.mi@spglobal.com](mailto:press.mi@spglobal.com)

Frank Rösch  
Head of Press and  
Communications  
BME  
[frank.roesch@bme.de](mailto:frank.roesch@bme.de)

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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](mailto:economics@spglobal.com).

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Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME), Frankfurter Str. 27, 65760, Eschborn, Germany.

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