

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Flash Germany PMI[®]

Business activity growth softens in November

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 52.1 (Oct: 53.9). 2-month low.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 52.7 (Oct: 54.6). 2-month low.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 50.7 (Oct: 52.4). 4-month low.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 48.4 (Oct: 49.6). 6-month low.

Data were collected 12-19 November.

Germany's private sector saw a loss of momentum in November, with companies recording slower increases in both business activity and new orders, according to the latest 'flash' HCOB PMI[®] survey. After coming close to stabilising the month before, employment meanwhile fell at a quicker rate amid a renewed decline in backlogs of work. Firms' expectations for the year ahead were broadly unchanged, with stronger optimism among manufacturers being largely offset by weaker sentiment in the service sector.

In line with slower growth in activity and demand, the latest data showed the rate of output price inflation tick down from October's eight-month high. Overall cost inflation was unchanged from the month before, however.

The **HCOB Flash Germany Composite PMI Output Index** posted 52.1 in November, down from a 29-month high of 53.9 in October. The latest result reflected slower rates of growth in both manufacturing and services. Goods production was up only slightly, registering its weakest pace of expansion since July (output index at 50.7). Service sector business activity growth likewise moderated in November, after reaching its highest in almost two-and-a-half years at the start of the fourth quarter, although it was still solid overall and in line with the long-run average (index at 52.7).

Inflows of **new business** increased only marginally in November, with the rate of growth slowing noticeably from October's three-and-a-half year high. Although new work continued to rise in the service sector, which panel member reports attributed to higher demand and more enquiries from customers, it did so at a slower rate than in October. Factory new orders meanwhile fell for the second time in three months and at the quickest rate since January, driven in large part by a solid and accelerated reduction in export sales.

There was a renewed decline in **backlogs of work** across the German private sector in November, following the first increase in more than three years at the start of the fourth quarter. Outstanding business in the service sector returned to contraction after ticking up for the first time in 18 months in October, while the decline in manufacturing work-in-hand accelerated.

The softening of capacity pressures was in turn reflected in further job losses across the private sector. The rate of decline in **employment** was only modest, but faster than that recorded in October when staffing numbers had shown only a fractional decrease that was the weakest for six months. Slower job creation in the service sector was seen alongside a further (albeit slightly softer) decrease in manufacturing workforce numbers.

On the price front, November's flash survey showed the rate of **output charge inflation** slow for the first time in four months. After having been at its highest for eight months in October, it was back slightly below its long-run average in November. At the sector level, slower increases in prices charged in the service sector coincided with a renewed fall in manufacturing factory gate charges.

Services firms continued to report rising **operating expenses** in November, which they attributed in large part to wage

pressures. The rate of cost inflation they faced remained stronger than the long-run average, although it ticked down from October's six-month high. Manufacturers, on the other hand, registered a fall in purchase prices, as has been the case in each month since February 2023. That said, having eased for the second month running, the rate of decline was only modest and among this weakest in this sequence.

Expectations for activity in the year ahead were positive among manufacturers and service providers alike in November. Sentiment in the two sectors converged somewhat, to leave the overall level of business confidence little-changed from the month before. After having fallen to its lowest in the year-to-date in October, the degree of optimism in manufacturing recovered to a three-month high. Expectations in the service sector, on the other hand, weakened to their lowest since June.

Comment

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

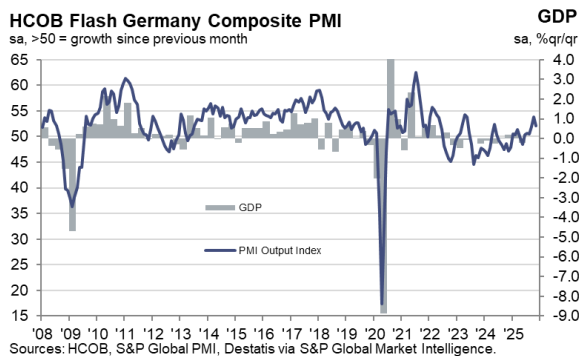
"These figures are a major setback for Germany. In the manufacturing sector, the headline PMI has fallen deeper into contraction territory and now signals a slowdown in this part of the economy. Although production is slightly higher than in the previous month, new orders have now declined sharply after broadly stabilising in October. At least there is still growth in the service sector, but hopes that the rate of expansion would pick up speed here have vanished into thin air with the marked decline in the index. Overall, the German economy is limping towards marginal growth at best in the fourth quarter."

"Production in the manufacturing sector rose for the ninth month in a row, but momentum has been slowing for two months now. The slump in new orders, especially from abroad, is also an indication that the final month of the year will more likely see a downward rather than an upward trend."

"Manufacturing companies are looking to the future with significantly more confidence and expect to have increased their production in a year's time. This is likely to be driven by hopes that relatively high growth can be expected in the coming year in the defence industry and in machinery used for civil engineering infrastructure projects. These are the areas where the government plans to channel debt-financed funds."

"Growth in the service sector has cooled, but new business has ticked up for the second month running, and hiring continues, just more cautiously than before. Overall, moderate growth is expected in the service sector in the current quarter."

-Ends-



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Note to Editors

Final November data are published on 1 December for manufacturing and 3 December 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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