

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Germany Services PMI<sup>®</sup>

## German service sector slips back into contraction in April

### Key findings:

HCOB Germany Services PMI Business Activity Index at 49.0 (Mar: 50.9). 14-month low.

HCOB Germany Composite PMI Output Index at 50.1 (Mar: 51.3). 4-month low.

Optimism towards year-ahead outlook wanes

Data were collected 9-25 April.

April saw Germany's service sector slip back into contraction after having grown in each of the previous four months, the latest HCOB PMI<sup>®</sup> survey showed. Service providers were meanwhile a lot less optimistic about the year-ahead outlook than the month before, amid reports from panellists of concerns towards tariffs and related uncertainty.

Employment defied the deteriorations in both current conditions and firms' expectations, however, rising at the quickest rate for nearly a year. Wages were a key factor behind an accelerated rise in input prices in the sector, but services firms were less aggressive with price increases due to competition for new work.

The headline **HCOB 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. It recorded a reading of 49.0 in April, falling from 50.9 in March and registering below the 50.0 no-change threshold for the first time since November last year. The decrease in activity, which was modest but nevertheless the quickest since February 2024, was attributed by surveyed businesses to weaker demand and customers scrutinising spending amid economic and political uncertainty.

The amount of new work received by German services firms decreased during April, the eighth month in a row in which this has been the case. Generally challenging economic conditions were a factor, according to panel member reports, as were tariff-related concerns and uncertainty. The pace of decline in new business did however ease slightly from that seen in March, helped by a slower decrease in new work from abroad.

April saw a notable reduction in service providers' growth expectations for the coming year. Sentiment was at a seven-month low and much weaker than the long-run average, with the proportion of firms that were optimistic about the outlook (25%) only just exceeding those that were pessimistic (22%).

Despite facing tough conditions and being less confident about future activity, German service providers continued to expand workforce numbers during April. Moreover, the pace of job creation quickened for the second month running to the fastest since May 2024.

The extra staffing capacity helped firms to reduce backlogs of work, which declined of the twelfth month running in April. The rate at which outstanding business was depleted remained solid, although it eased to the weakest since June last year.

Latest data meanwhile indicated a slightly accelerated rise in input prices across the German service sector, with the rate of cost inflation ticking up from a five-month low in March and moving further above its long-run average. Where an increase in operating expenses was recorded, surveyed businesses often remarked on increased wages, alongside general inflation.

Average prices charged by services firms, on the other hand, rose more slowly at the start of the second quarter. Whilst many businesses reported increasing charges to offset higher costs, others noted that their pricing power was constrained by strong competition for new work. Output charge inflation eased for the second month in a row and was the weakest since October last year.

## Comment

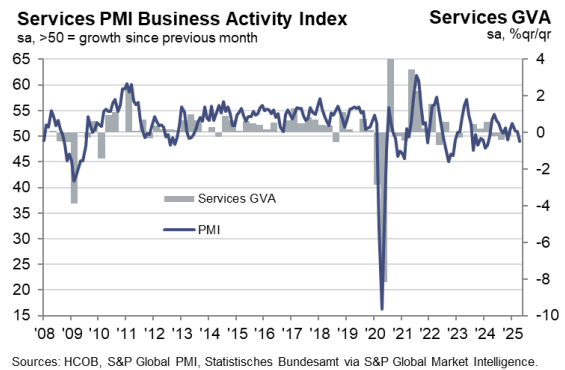
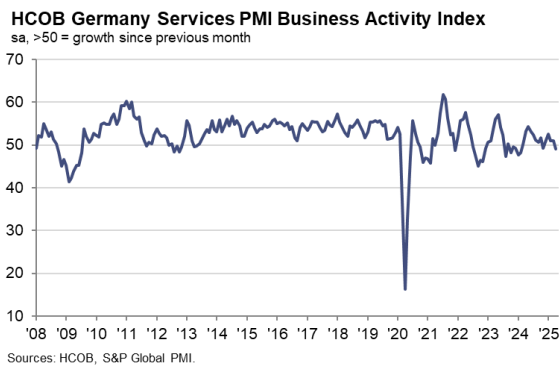
Commenting on the PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

*“The German service sector has hit the brakes. Business activity dipped a bit in April, ending a four-month streak of growth. The composite PMI didn’t slip into recession territory, thanks to manufacturing companies ramping up production, just like they did in March after a slump that lasted nearly two years.*

*“Service providers probably felt the squeeze on profit margins in April. Costs went up more than last month, but they had to dial back on price hikes. With this in mind, confidence about future business took a hit, with the index dropping further below its long-term average.*

*“At first glance, the future doesn’t look too bright. New business has shrunk for the eighth month in a row, order book backlogs have been sliding downhill for most of the past two years, and there’s no sign of a solid recovery in exports. But, companies are still hiring, and job growth has even picked up for the second month straight. Clearly, businesses aren’t ready to throw in the towel just yet. And for good reason, as the new government, expected to start this week, could well give the economy a boost with its fiscal stimulus program in infrastructure and defence, plus more social spending. All of this should also spread to the services sector.”*

-Ends-



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

### German private sector stagnates in April

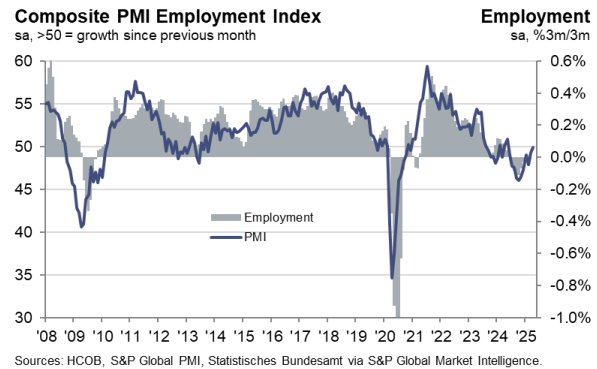
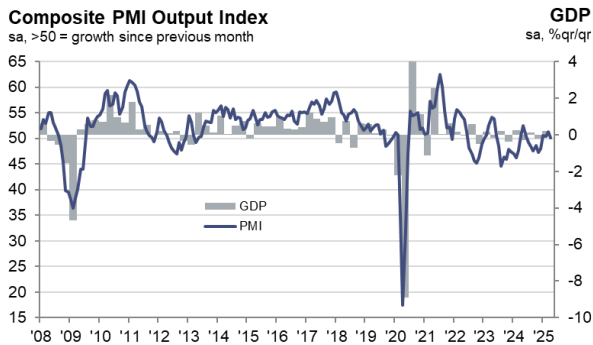
The HCOB Germany Composite PMI Output Index came in at 50.1 in April, down from March's 51.3 and signalling virtually no change in the level of business activity at the start of the second quarter. This followed growth in each of the first three months of the year. A renewed decrease in services sector activity in April countered a faster increase in manufacturing production – the steepest seen for more than three years.

Expectations towards future output meanwhile sank to the lowest for six months, reflecting a drop in confidence in both sectors.

New business fell only slightly, registering its weakest decline in almost a year, as a marginal increase in manufacturing new orders coincided with a slower fall in new work across the service sector. New export business came close to stabilising.

Total employment was broadly unchanged, having fallen in each of the previous ten months.

Input cost inflation was at six-month low due to an increased drag from falling manufacturing input costs, but output prices increased at a slight faster rate amid a renewed upturn in factory gate charges.



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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 94% of final responses. Flash composite data were calculated from 93% 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.

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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**

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