

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
Embargoed until 0930 CET (0830 UTC) 22 February 2024

# HCOB Flash Germany PMI<sup>®</sup>

## Business activity continues to fall in Germany

### Key findings:

HCOB Flash Germany Composite PMI Output Index<sup>(1)</sup> at 46.1 (Jan: 47.0). 4-month low.

HCOB Flash Germany Services PMI Business Activity Index<sup>(2)</sup> at 48.2 (Jan: 47.7). 2-month high.

HCOB Flash Germany Manufacturing PMI Output Index<sup>(4)</sup> at 42.1 (Jan: 45.7). 4-month low.

HCOB Flash Germany Manufacturing PMI<sup>(3)</sup> at 42.3 (Jan: 45.5). 4-month low.

Data were collected 12-20 February

February saw a further drop in business activity across the eurozone's largest economy, in a continuation of the downturn that began in the middle of last year, the latest HCOB 'flash' PMI<sup>®</sup> survey compiled by S&P Global showed. The rate of contraction quickened slightly, led by a sharp and accelerated reduction in manufacturing output. Demand for goods and services continued to weaken, although employment held broadly steady as firms expressed slightly more optimism towards the year-ahead outlook.

February data meanwhile showed the fastest increase in business costs for ten months, driven in part by strong wage pressures in the service sector. Prices continued falling in manufacturing, however, where weaker demand more than offset higher transport costs. Indeed, the survey signalled limited impact on supply chains from the Red Sea shipping disruption, with average delivery times improving and firms continuing to show a preference for lower stocks.

The headline **HCOB Flash Germany Composite PMI Output Index** registered below the 50.0 no-change threshold for the eighth month in a row in February. At 46.1, down from January's 47.0, its latest reading indicated the fastest rate of contraction since October last year. The decline in manufacturing production reaccelerated midway through the opening quarter, with the respective seasonally adjusted output index retreating sharply from January's eight-month high of 45.7 to 42.1. Business activity also fell in the service sector, although the rate of contraction was only modest and slowed from the previous month (index at 48.2).

As was the case with output, **new business** in the German private sector declined at the quickest pace for four months in February. Reports from surveyed firms highlighted general reluctance among customers amid economic uncertainty and tight financial conditions. New orders fell across both monitored sectors, but particularly sharply in manufacturing where the rate of contraction accelerated markedly from the previous month to the fastest since last November. There was a further broad-based decrease in **new export business**.

Despite reduced intakes of new orders leading to a sustained decline in **backlogs of work** across the private sector in February, survey data showed resilience in the labour market. **Employment** fell only fractionally and at the slowest rate in the current sequence of job losses stretching back to September last year. Sector level trends continued to diverge, with greater job losses in manufacturing – the most marked for three-and-a-half years – contrasting with the fastest rate of service sector hiring seen for eight months.

Driven by a further strengthening of service sector optimism, overall **business expectations** improved to a ten-month high in February. The result did, however, mask a deterioration in manufacturing sentiment, which turned pessimistic for the first time since last November and kept overall business confidence still below its long-run trend.

Turning to prices, latest data showed a continued steady rise in the rate of **input cost inflation** across Germany. Having quickened for the fourth month in a row, it reached the fastest since April last year and edged back above its series long-

average. Inflationary pressures remained centred on the service sector, where there were widespread reports of higher labour costs as well as an increase in energy prices. Manufacturing purchase prices continued to fall, although the rate of decline eased slightly to the weakest for 11 months.

It was a similar picture for **output prices**, with higher charges in the service sector contrasting with further discounting across manufacturing. The overall rate of output price inflation trended broadly sideways for a second straight month, leaving it above its long-run trend (although below the averages in 2021-23).

## Comment

Commenting on the flash PMI data, Dr Tariq Kamal Chaudhry Economist at Hamburg Commercial Bank, said:

*"The German economy remains under pressure. With the HCOB Composite PMI dropping to 46.1, it's not just a monthly dip, but it marks the eighth consecutive month of contraction. The manufacturing sector is dragging down the overall economic performance more than the services sector can compensate. Looking at the Composite PMI, it's evident that Germany is facing a shortage of new orders both domestically and internationally."*

*"After a glimmer of hope in recent months, the German industry is feeling pretty bleak now. The HCOB Flash PMI for Germany paints a gloomy picture in February. Clearly evident in HCOB's PMI is a decline in output, alongside plummeting new orders both domestically and internationally. While falling manufacturing input prices and shorter delivery times may seem positive at first glance, especially given the pressure on prices and the crisis in the Red Sea, these factors actually underscore the chronic weakness in demand in the sector."*

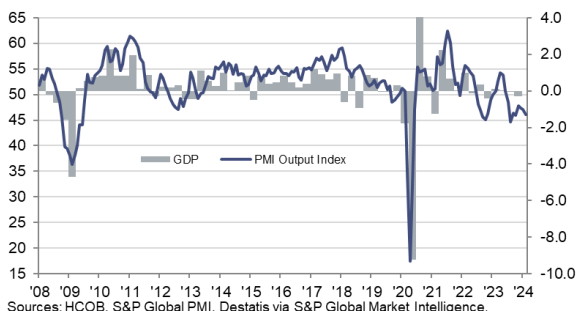
*"Despite taking a hit, the service sector is still a glimmer of hope for the Germans. According to the HCOB Flash PMI, services companies have positive expectations for future business, supported by a significant increase in employment numbers. That's despite demand being down overall and prices for inputs still surging. We can see a light at the end of the tunnel, but it might take until the second quarter to reach it."*

*"Looking ahead to 2024, the outlook for the German economy isn't exactly bright. Although the HCOB Flash Composite PMI's expectations for future output are still above 50, they're significantly lower than its long-term average. The German Government recently revised its growth forecast down from 1.3% to 0.2%, while HCOB is a bit more optimistic at 0.5%. However, action is needed to tackle the structural issues, especially with an aging population and shifting work behaviours on the horizon."*

-Ends-

**HCOB Germany Composite PMI Output Index**

sa, >50 = growth since previous month



**GDP**

sa, %q/q

**HCOB Germany Manufacturing PMI**

sa, >50 = improvement since previous month



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**Note to Editors**

Final February data are published on 1 March for manufacturing and 5 March 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 <sup>1</sup>	0.0	0.4
Manufacturing PMI <sup>3</sup>	0.0	0.3
Services Business Activity Index <sup>2</sup>	-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](mailto: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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