

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Germany Services PMI®

## Service sector business activity growth softens in November

### Key findings:

HCOB Germany Services PMI Business Activity Index at 53.1 (Oct: 54.6). 2-month low.

HCOB Germany Composite PMI Output Index at 52.4 (Oct: 53.9). 2-month low.

Further, albeit slower, increases in new work and employment

Data were collected 12-25 November.

Firms in Germany's service sector recorded a rise in business activity for the third straight month in November, although the rate of growth slowed from October's recent high, according to the latest HCOB PMI® survey results. Similarly, there were softer increases in both new business and employment. A renewed reduction in backlogs of work was seen alongside a weakening of firms' growth expectations for the coming year, which fell to the lowest since June.

As for inflation, the latest survey results showed a slowdown in the rate of increase in prices charged by services firms to the second-lowest in over four-and-a-half years. This partly reflected an easing of cost pressures.

The headline **HCOB Germany Services PMI® 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 above 50.0 signals expansion, and the further above 50.0 the faster the rate of growth signalled. The index registered 53.1 in November, down from a 29-month high of 54.6 in October. Although signalling a slower rate of growth, the latest reading was still above the long-run average.

Among the surveyed businesses that recorded an increase in activity, many remarked on a stronger customer demand. This was further highlighted by a second successive monthly increase in inflows of new business in November. As was the case with activity, the rate of growth in new work eased from October's recent high but remained solid by historical standards. The latest data did, however, signal a further slight decline in inflows of business from abroad, with the rate of decline little-changed from the month before.

The amount of outstanding business (i.e. new work received by not yet completed) across the German service sectors fell marginally in the penultimate month of the year, after having risen for the first time in 18 months in October. Helping firms work through backlogged orders was a further increase in staffing capacity. November saw employment tick up for a second month in a row, although the latest increase was only fractional as the pace of job creation slowed from October's six-month high.

The latest survey results meanwhile pointed to a softening of inflationary pressures across the German services economy. The rate of increase in firms' operating expenses, whilst still above the long-run average, ticked down to a four-month low. The main source of cost inflation was wages, according to qualitative evidence gathered by the survey.

Service providers showed greater restraint when increasing their own prices in November. There was a noticeable slowdown in the rate of inflation in average prices charged, down from an eight-month high in October to its lowest since July. The pace of increase was in fact the second-slowest since April 2021.

As for the outlook, November's survey showed a softening of firms' growth expectations for the coming year. Sentiment has now weakened for two months running and fallen back below its historical trend level. Reports from surveyed firms indicated that concerns over political conditions and high costs were weighing on confidence.

## Comment

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

*“The service sector is likely to keep Germany’s growth just above zero in the fourth quarter. However, momentum in this sector slowed in November. One reason for this is likely to be that the consumption-sensitive service sector is suffering from the cautious spending behaviour of households. The fact that the recession in the manufacturing sector deepened again in November, as signalled by the PMI, thereby also affecting industry-related service companies, is not helpful either. Conversely, however, it can also be said that service providers are proving to be relatively resilient in the face of the difficult environment.”*

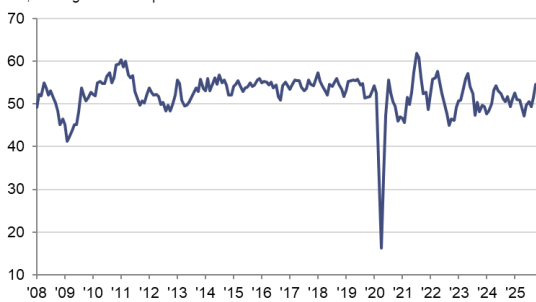
*“The continued growth in new business suggests that business activity in the service sector will also grow in the last month of the year. For the coming year, the expansionary fiscal policy, which is also likely to be accompanied by higher investment volumes, should have positive spillover effects on the service sector. The very modest growth of this sector this year, estimated at 0.4 percent, based on official figures for the first three quarters of the year, should therefore accelerate significantly to over 1 percent in the coming year.”*

*“On the price front, the good news is that cost inflation among service providers has eased somewhat. However, companies were obviously forced to pass on the lower inflationary pressure to their customers, as sales prices also rose at a slower rate. This shows that companies were unable to increase their profit margins.”*

-Ends-

**HCOB Germany Services PMI Business Activity Index**

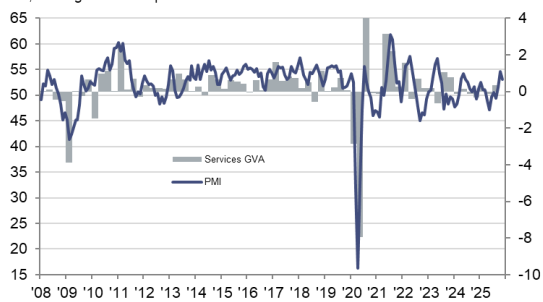
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

**Services PMI Business Activity Index**

sa, >50 = growth since previous month



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

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

### Private sector growth loses momentum in November

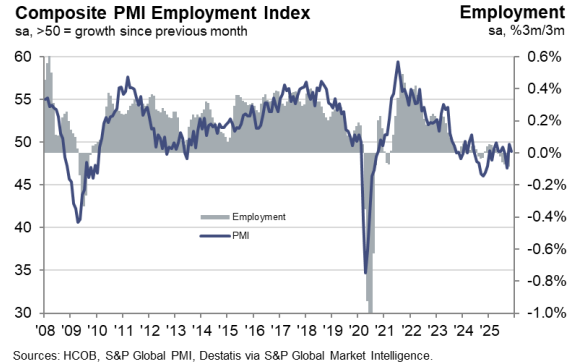
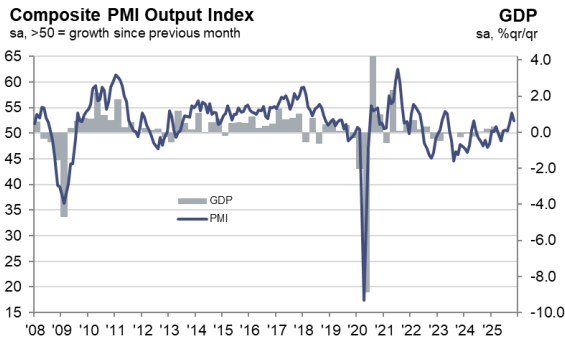
Slipping from October's 29-month high of 53.9 to 52.4 in November, the HCOB Germany Composite\* PMI Output Index signalled a further solid, albeit slower, rise in combined manufacturing and services output.

Momentum was lost in both monitored sectors, but particularly in manufacturing where new orders fell at the quickest rate since January. Total new business rose more slowly than in October, while the decline in export sales quickened.

There was a renewed decline in backlogs of work, following the first increase in more than three years the month before. Employment fell at a slightly quicker rate, as slower hiring in the service sector coincided with another notable round of job losses in manufacturing.

Despite a rebound in goods producers' sentiment, business expectations dipped to their lowest for seven months thanks to a further loss of confidence in services.

As for inflation, the rate of increase in average prices charged eased to a four-month low and moved below its long-run average. Costs also rose more slowly than in October.



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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 85% of final responses. Flash composite data were calculated from 86% 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

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Hamburg Commercial Bank aligns its activities with established ESG (Environment, Social, and Governance) criteria and has anchored sustainability aspects in its business model. It supports its clients in their transition to a more sustainable future.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

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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**

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. [www.spglobal.com/marketintelligence/en/mi/products/pmi.html](http://www.spglobal.com/marketintelligence/en/mi/products/pmi.html).

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