

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Flash Germany PMI<sup>®</sup>

## Downturn in German economy eases in November

### Key findings:

HCOB Flash Germany Composite PMI Output Index<sup>(1)</sup> at 47.1 (Oct: 45.9). 4-month high.

HCOB Flash Germany Services PMI Business Activity Index<sup>(2)</sup> at 48.7 (Oct: 48.2). 2-month high.

HCOB Flash Germany Manufacturing PMI Output Index<sup>(4)</sup> at 44.0 (Oct: 41.2). 6-month high.

HCOB Flash Germany Manufacturing PMI<sup>(3)</sup> at 42.3 (Oct: 40.8). 6-month high.

Data were collected 9-21 November

The downturn in the German economy showed signs of easing midway through the fourth quarter as business activity fell at the slowest rate for four months, according to November's HCOB 'flash' PMI<sup>®</sup> survey compiled by S&P Global. Employment across the euro area's largest economy meanwhile remained in decline, with the rate of job losses accelerating slightly but still only modest. Expectations towards future activity were subdued, although they did improve slightly to the highest since June.

On the price front, November saw faster increases in both input costs and output charges, with inflationary pressure remaining centred on the service sector.

The headline **HCOB Flash Germany Composite PMI Output Index** came in at 47.1 in November, thereby registering in sub-50 contraction territory for a fifth straight month. Although the latest reading was indicative of a solid rate of contraction, it was up from 45.9 in October and the highest since July. **Services activity** was down for the third time in the past four months, but the latest decline was only modest and slower than that seen in October. The downturn in **manufacturing production** also eased, with the rate of contraction slowing notably from the previous survey period to the weakest since May (although it was still marked overall).

Weighing on activity in November was a sustained decline in demand for goods and services, with surveyed firms highlighting the influence of market uncertainty, tightened financial conditions and customers' efforts to destock. Total inflows of **new work** decreased solidly and for the seventh month in a row in November. That said, the rate of decline was the weakest since June, reflecting softer reductions in both monitored sectors. **New export business** likewise fell at a slower pace.

Latest data showed a further broad-based decrease in **backlogs of work** across Germany's private sector. The rate of depletion eased for the second straight month after reaching the fastest for over three years in September, although it remained sharp overall. The decline in outstanding business continued to be led by the manufacturing sector, with signs of space capacity among goods producers reflected in further factory job losses during the month. Moreover, the rate at which manufacturing workforce numbers fell was the quickest in over three years. Service sector staffing levels were meanwhile stable following marginal decreases in each of the previous two months, which meant that total **employment** was down only modestly in November.

Turning prices, November saw the rate of inflation in **average charges for goods and services** tick up from October's 32-month low, taking it back above its long-run average. As well as a slightly faster rise in service sector output prices, there was also a reduced drag from falling factory gate charges, which posted the slowest decline for five months. Overall **input costs** likewise increased at a faster rate in November, although this was driven exclusively by a sharp and accelerated rise in service sector operating expenses – the quickest for five months – as manufacturing purchasing costs posted the steepest fall since August.

Despite **business expectations** improving to a five-month high in November, confidence was still well below its long-run average due in part to concerns about economic conditions both at home and abroad. At the sector level, services firms were slightly less positive about the year-ahead outlook than in October, while expectations among manufacturers improved but remained pessimistic.

## Comment

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

*"Christmas is nearing and so is some hope for the German economy. Despite remaining in recession territory, the rate of slowdown has eased noticeably. Particularly heartening is the robust increase across nearly all subindices. This collective upswing fuels our growing confidence that a return to growth territory is a plausible prospect, potentially materialising by the first half of the upcoming year.*

*"The November PMI numbers validate our assessment that Germany is currently in a recession, starting from the third quarter. But the recession may be shallower than expected. Feeding the current PMI figures into our Nowcast model reveals a 0.7% decline in GDP from October to December compared to the third quarter. This is an improvement from the previously projected -0.9%.*

*"In manufacturing there is a silver lining as the decline in new orders is tapering off. This is supported by both domestic and external orders. In addition, there's a noteworthy slowdown in the reduction of stock of purchases, coupled with smaller cuts to new purchases.*

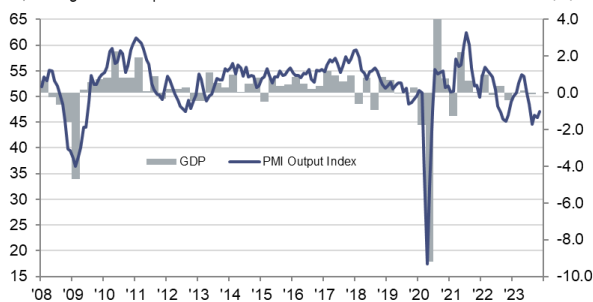
*"The service sector's slowdown appears to be taking a milder trajectory. In November, the decrease in activity has shown signs of softening, and the decline in new business is notably less severe than in the previous month. Furthermore, a positive shift is observed as service providers have ceased reducing employment, marking a departure from the downward trend witnessed in the previous two months.*

*"Inflation remains alive and kicking, contrasting with wide held expectations. Input prices in the service sector surged rapidly in November, surpassing the previous month's rate. This has been mainly fuelled by upward pressure on wages. Part of this increase is passed on to consumers, as service sector output prices are still increasing at an unusual high rate. With a rise in strike activities and some of the recent wage agreements hitting double digits, the outlook suggests that inflation is unlikely to experience a significant decrease in the coming months."*

-Ends-

**HCOB Germany Composite PMI Output Index**

sa, >50 = growth since previous month



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

**GDP**

sa, %q/q

**HCOB Germany Manufacturing PMI**

sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

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**Note to Editors**

Final November data are published on 1 December for manufacturing and 5 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 <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.

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.

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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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