

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

## German business activity falls in May despite rise in new export orders

### Key findings:

HCOB Flash Germany Composite PMI Output Index<sup>(1)</sup> at 48.6 (Apr: 50.1). 5-month low.

HCOB Flash Germany Services PMI Business Activity Index<sup>(2)</sup> at 47.2 (Apr: 49.0). 30-month low.

HCOB Flash Germany Manufacturing PMI Output Index<sup>(4)</sup> at 51.5 (Apr: 52.3). 3-month low.

HCOB Flash Germany Manufacturing PMI<sup>(3)</sup> at 48.8 (Apr: 48.4). 33-month high.

Data were collected 12-20 May

Latest HCOB 'flash' PMI<sup>®</sup> survey data, compiled by S&P Global, showed a fall in business activity across Germany in May, reflecting a deepening downturn in the country's service sector. The contraction came despite further growth in manufacturing production, which was boosted in part by a rise in new export orders. Business expectations improved from April's recent low, but employment nevertheless fell slightly on the month.

On the price front, May saw the rate of inflation in average charges for goods and services ease to a seven-month low, with slower service sector price increases coinciding with a renewed decline in manufacturing factory gate charges.

The **HCOB Flash Germany Composite PMI Output Index** registered at 48.6 in May, down from 50.1 in April. This signalled a modest reduction in private sector business activity, and the first contraction so far this year. The faltering performance was driven by a deepening down in service sector business activity which, amid a sustained weakening of demand, fell for the second month running and at the quickest rate for two-and-a-half years (index at 47.2). Manufacturing production, on the other hand, rose for the third straight month, albeit with the rate of growth easing to only a modest pace that was the weakest in this sequence (index at 51.5).

Goods production in the eurozone's largest economy increased in May in line with a further uptick in new orders. Stronger demand from abroad was a key driver, with manufacturing new export orders rising at the fastest rate since early-2022. There were reports from a number of businesses of higher sales to the US, alongside some mentions of stronger demand from Europe. This contrasted with a ninth successive monthly decrease in new business in the service sector, where demand showed the steepest decline since September last year amid reports from surveyed firms of customer uncertainty. **Total new business** across manufacturing and services combined fell modestly and to the greatest extent since January.

Latest data showed another broad-based reduction in **backlogs of work** midway through the second quarter. Furthermore, the pace of depletion was slightly quicker than that recorded in April, owing to easing capacity pressures in the service sector. Outstanding business in manufacturing came close to stabilising, registering only a marginal drop that was the weakest for almost three years.

May saw a slight decrease in **employment** across the German private sector, as a modest uptick in service sector workforce numbers was offset by further job losses in manufacturing. The pace of staff retrenchment amongst goods producers did however ease to the weakest since January 2024.

**Businesses' expectations** towards output in the next 12 months recovered somewhat in May, after having slumped to a six-month low in April amid widespread tariff-related concerns and uncertainty. Notably, manufacturers were far more bullish about

the outlook than the month before, exhibiting the strongest optimism since February 2022. Expectations of a boost to demand from increased public sector spending, the prospect of an upturn in Europe, and hopes among some firms of a trade deal being struck between the US and EU all helped lift confidence, according to panel member reports. Service sector sentiment meanwhile improved only slightly, leaving it well below its long-run average.

May's flash survey results indicated a cooling of inflationary pressures across Germany. The rate of increase in **average prices charged for goods and services** eased for the third time in four months and was the lowest since October last year. Services output price inflation was at a seven-month low (although still well above its long-run average), while manufacturing factory gate charges recorded a renewed decline after rising in April for the first time in nearly two years. Overall **input price inflation** was unchanged from April's six-month low, with a slight softening of cost increases in services offset by a slower fall in manufacturing purchase prices.

## Comment

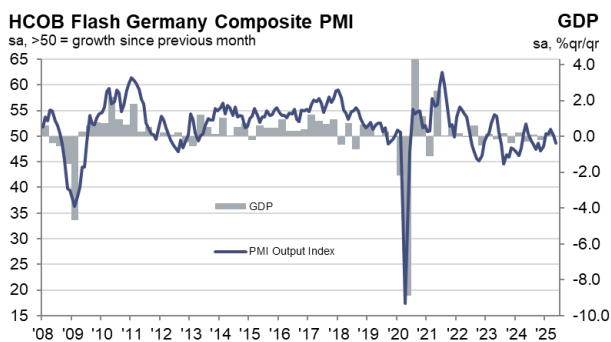
Commenting on the flash PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

*"These numbers paint a mixed picture - there are both positives and negatives here. On the bright side, manufacturing is doing better, as output has been climbing for three months in a row, and new orders are following suit. In the service sector, by contrast, activity has taken a sharper tumble. And since services make up a big chunk of the economy, that drop has pulled overall activity into contraction. Considering the modest growth we saw in Q1, this latest data lines up with what the German Council of Economic Experts are forecasting, namely that the economy might just be treading water this year.*

*"In manufacturing things are looking up. While the headline PMI is still in recessionary territory, it's been inching higher for five straight months. That upward trend likely reflects a mix of short-term factors - like companies rushing orders ahead of US tariffs - and broader cyclical improvements supported by ECB rate cuts. Looking ahead, increased defence spending and a more defined infrastructure package could give the sector an extra push. Plus, falling input costs, which are driven by cheaper energy, should offer manufacturers some breathing room.*

*"Service providers are struggling a bit. Activity has been sliding for two months now, with new business drying up and pricing power fading. Meanwhile, costs are still climbing fast, which could squeeze profit margins. On a more positive note, service providers are still hiring, bucking the broader trend. And future expectations have ticked up a bit, though the level of optimism is still well below the long-term average. Overall, our nowcast model, which considers the PMI among other factors, calculates that activity of service providers will barely expand in the second quarter."*

-Ends-



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**Note to Editors**

Final May data are published on 2 June for manufacturing and 4 June 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.

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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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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