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

HCOB Flash Germany PMI®

German business activity falls at quickest rate for nine months amid renewed weakness in service sector

Key findings:

HCOB Flash Germany Composite PMI Output Index(1) at 47.3 (Oct: 48.6). 9-month low.

HCOB Flash Germany Services PMI Business Activity Index(2) at 49.4 (Oct: 51.6). 9-month low.

HCOB Flash Germany Manufacturing PMI Output Index(4) at 43.2 (Oct: 42.8). 5-month high.

HCOB Flash Germany Manufacturing PMI(3) at 43.2 (Oct: 43.0). 4-month high.

Data were collected 12-20 November

Germany's economic malaise continued into November, with the latest HCOB 'flash' PMI® survey, compiled by S&P Global, showing business activity falling for the fifth month running and at the quickest rate since February. Sustained weakness in manufacturing production was compounded by the first decrease in services activity for nine months. Weaker demand for goods and services led to further job losses during the year's penultimate month. Business expectations meanwhile edged up further from September's recent low, although confidence was still subdued by historical standards amid a backdrop of economic and political uncertainty.

Elsewhere, November saw the rates of input cost and output price inflation tick up to the highest for three months, reflecting stronger price pressures in the service sector.

The **HCOB Flash Germany Composite PMI Output Index** registered in sub-50 contraction territory for a fifth straight month in November. Furthermore, slipping from October's 48.6 to 47.3, the headline index signalled an acceleration in the rate of decline in business activity to the quickest since February.

Services business activity fell into contraction for the first time in nine months in November (index at 49.4), finally succumbing to a sustained downturn in inflows of new work across the sector. Surveyed firms commented on uncertainty among customers and highlighted fewer new orders from manufacturers. Falling **goods production** remained a major drag on overall economic performance midway through the final quarter of the year, with manufacturers themselves suffering from a lack of incoming new work. Although easing for the second month running to the weakest since June, the rate of decline in factory output remained marked by historical standards (index at 43.2).

With inflows of new business continuing to contract across both monitored sectors in November (albeit more slowly in each case), there was another broad-based reduction in **backlogs of work**. This lack of pressure on business capacity in turn led to further job cuts across the private sector, which extended the current sequence of decline in **employment** to six months. A more modest fall in services staffing levels meant that the rate at which overall workforce numbers decreased was the slowest for three months, although it was still steep and among the quickest seen over the past four-and-a-half years.

Inflationary pressures picked up across Germany midway through the fourth quarter, with both **input costs** and **output prices** rising at the quickest rate for three months. This owed exclusively to developments in the service sector, where firms raised charges to the greatest extent since April amid a steep and accelerated increase in operating expenses. Manufacturers, on the other hand, reported further steep (and even slightly faster) decreases in both factory gate prices and purchasing costs, citing the influence of weak demand from customers and across supply chains.

Lastly, November's flash data showed a slight improvement in **businesses' expectations** towards activity in the forthcoming year. The result saw confidence rebound further from September's recent low to the highest for three months, as some surveyed firms commented on hopes of a boost to the economy following elections next year. That said, uncertainty towards the economy and the political situation meant that sentiment was still much weaker than seen on average over the series history. The uptick in expectations since October reflected an improved outlook in manufacturing, with services confidence deteriorating from the month before (though remaining the higher of the two monitored sectors).

Comment

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

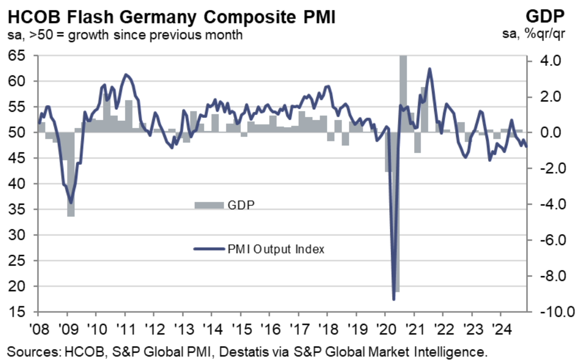
"These figures are bad news. Until recently, the German economy was stabilised somewhat by the service sector, which was making up for the steep decline in manufacturing. Not anymore. In November, service providers' activity took a hit for the first time since February. Companies are also dealing with rising costs, especially wages. This was highlighted by the big negotiated pay increase in the third quarter, which was the highest since 1993. While some of these costs were passed on to customers, it looks like the sector is feeling the heat.

"The manufacturing slump has eased a bit, but it is still nowhere near growth. Goods producers have been cutting staff at a faster rate, which isn't surprising since a few automotive companies and suppliers recently announced deep cost-cutting measures. Export orders have also dropped again. This might change over the next few months because the threat of higher tariffs for car and machinery exports to the US could push some orders forward to avoid those extra costs.

"The inventory cycle for purchases shows no sign of turning around after more than 20 months of destocking. It is similar for finished goods. Given the political uncertainty, we don't expect any big changes in the near future.

"Overall, business activity in Germany has decreased for the fifth month in a row. The political uncertainty, which has increased since Donald Trump's election as US president and the announcement of snap elections in Germany on February 23, isn't helping. However, the modest increase in the future output index might reflect some hope that the next German government will manage to turn the economy around with bold measures, for example by reforming the debt break."

-Ends-



Contact

Hamburg Commercial Bank AG
Dr. Cyrus de la Rubia
Chief Economist
T: +49-160-90180-792
cyrus.delarubia@hcob-bank.com

Katrin Steinbacher
Head of Press Office
Senior Vice President
T: +49-40-3333-11130
katrin.steinbacher@hcob-bank.com

S&P Global Market Intelligence
Phil Smith
Economics Associate Director
T: +44-149-146-1009
phil.smith@spglobal.com

Sabrina Mayeen
Corporate Communications
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

Note to Editors

Final November data are published on 2 December for manufacturing and 4 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[1]	0.0	0.4
Manufacturing PMI[3]	0.0	0.3
Services Business Activity Index[2]	-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.

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.

S&P Global (NYSE: SPGI)

S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

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

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click here.

Disclaimer