NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Germany PMI®

German business activity growth quickens to 12-month high in April, driven by services sector

Key findings:

HCOB Flash Germany Composite PMI Output Index[(1)] at 53.9 (Mar: 52.6). 12-month high.

HCOB Flash Germany Services PMI Business Activity Index[(2)] at 55.7 (Mar: 53.7). 12-month high.

HCOB Flash Germany Manufacturing PMI Output Index[(4)] at 50.3 (Mar: 50.5). 2-month low.

HCOB Flash Germany Manufacturing PMI[(3)] at 44.0 (Mar: 44.7). 35-month low.

Data were collected 12-19 April

April saw a continued upturn in business activity across the German economy, driven by strong growth in the country's services sector, latest 'flash' PMI® data from HCOB showed. The pace of job creation likewise accelerated at the start of the second quarter. However, although still positive, business expectations towards the year-ahead outlook ticked down slightly for the second month in a row.

On the price front, rates of both input cost and output charge inflation continued to soften, led by easing manufacturing price pressures. Factory purchasing costs in fact fell at the fastest rate for nearly three-and-a-half years, amid a fresh record improvement in supplier delivery times.

The headline **HCOB Flash Germany Composite PMI Output Index** moved further into growth territory at the start of the second quarter, improving from March's 52.6 to a 12-month high of 53.9. The upturn was driven primarily by the country's service sector, where growth in business activity accelerated to a marked rate that was the quickest since April last year (index at 55.7). Manufacturing output also increased (index at 50.3), although the rate of expansion remained only modest and was little-changed from the previous month.

The strong rise in services business activity in April was supported by a pick-up in underlying demand, the survey showed, with inflows of new work across the sector increasing to the greatest extent for a year. By contrast, there was continued downward pressure on manufacturing order books, linked in part by surveyed businesses to high stock levels among customers. The rate of decline did however ease to the weakest for 11 months.

With factory new orders falling, manufacturing production levels were supported by progress on backlogged work and a continued easing of supply-side constraints. April in fact saw a record improvement in supplier delivery times for the third time in as many months.

Efforts by manufacturers to unwind buffer stocks of inputs saw them cut back on purchasing activity for a tenth straight month – and at the quickest rate since last November. This reduction in demand for inputs, combined with improved supply, led to further downward pressure on manufacturing purchasing costs, which fell for the third month running and to the greatest extent since December 2019.

Services sector input costs, on the other hand, continued to rise sharply, with the rate of inflation ticking down to a 19-month low but still higher than at any time in the series history prior to the COVID pandemic, due in large part to elevated wage demands. Across the two monitored sectors, the rate of input cost inflation was the lowest since December 2020 but still above the pre-pandemic average.

Average prices charged for goods and services likewise rose at a slower rate, the weakest for two years, but one that was nevertheless historically elevated. Rates of inflation eased across both manufacturing and services, down to the lowest for 27 and 21 months respectively, albeit with the latter continuing to record the much quicker rate of increase.

Turning to employment, April flash data showed a pick-up in the pace of job creation across the German private sector for the second month in a row. Workforce numbers rose to the greatest extent since May last year, driven by a strong increase in hiring among services firms. Factory staffing levels meanwhile rose only modestly, with the rate of growth having slowed to the weakest in the current 26-month sequence of job creation.

Looking ahead, businesses' expectations towards activity over the coming year edged lower for the second month running in April. Services sentiment weakened slightly but remained higher than that recorded amongst manufacturers, which was unchanged from the previous month and remained below its series long-run average.

Despite resilience in manufacturing output, April saw the **HCOB Flash Germany Manufacturing PMI**[3] fall from 44.7 in March to a near three-year low of 44.0. Key to this was a sharp and accelerated reduction in stocks of purchases – the most marked for two years – combined with a fresh record improvement in supplier delivery times (improved lead times are normally associated with periods of falling demand and hence have an inverse relationship with the headline Manufacturing PMI).

Comment

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

"In April, the German economy continued its recovery which started in the first quarter of the year. The driving force is the service sector, which is characterized by continued optimism towards the outlook. The latter is reflected, for example, in the willingness to increase the pace of hiring.

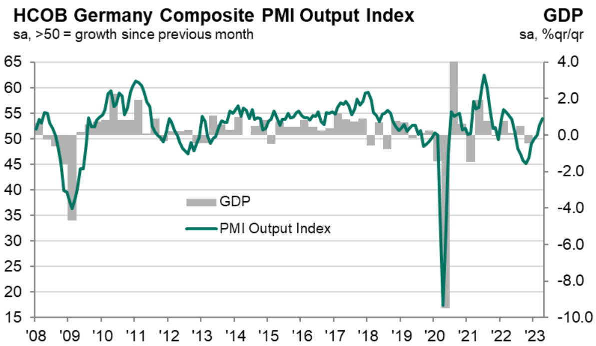
"Supply chain bottlenecks continued to ease in April. Given the full order books reported by the Federal Statistical Office, this is good news. To go with this, the HCOB manufacturing output index remains in growth territory, although the reading of 50.3 suggests that the sector is still lacking momentum.

"Manufacturing companies appear to be continuing to expand their profit margins. This is because the corresponding HCOB PMI indices show firms have once again been able to increase selling prices while input prices have fallen at an accelerated pace, which is also consistent with the observation that delivery times have once again shortened significantly.

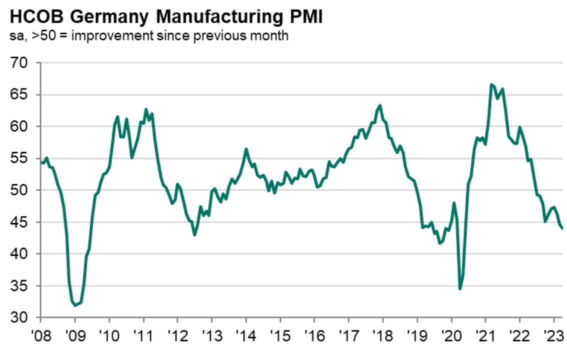
"In the services sector, firms' ability to push through higher prices has softened slightly, whilst they continue to face strong input cost increases. The expected high wage settlements could further complicate the situation for firms in the service sector, although in macroeconomic terms they should benefit from higher incomes and correspondingly higher consumption.

"The labour market will remain tight in Germany. In the services sector, companies actually hired more staff than in the previous month, according to the HCOB PMI survey, but employment also rose again, though moderately, in the weaker-positioned manufacturing sector. This is good news both for the people and from a broader economic perspective."

-Ends-



Sources: HCOB, S&P Global, Statistisches Bundesamt.



Sources: HCOB, S&P Global.

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Note to Editors
Final April data are published on 2 May for manufacturing and 4 May 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@ihsmarkit.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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