

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0955 CEST (0755 UTC) 4 April 2024

HCOB Germany Services PMI[®]

Confidence continues to grow in the German service sector in March as business activity stabilises

Key findings:

HCOB Germany Services PMI Business Activity Index at 50.1 (Feb: 48.3). 6-month high.

HCOB Germany Composite PMI Output Index at 47.7 (Feb: 46.3). 4-month high.

Expectations reach highest level for more than two years, while rates of input and output price inflation slow

Data were collected 12-25 March.

Germany's service sector ended the first quarter on a more stable footing, with firms growing increasingly optimistic about the outlook, according to the latest HCOB PMI[®] survey compiled by S&P Global. There was also sustained job creation amongst service providers amid reports of strategic hiring. Wage pressures continued to drive up businesses' costs, but the rates of inflation in both input prices and output charges slowed noticeably from the month before.

The **HCOB Germany Services PMI[®] Business Activity Index** came in at 50.1 in March, up from 48.3 in February and registering broadly in line with – but crucially just above – the 50.0 no-change threshold. The result served to end a five-month sequence of contraction in activity. Some firms commented on tentative signs of improvement in client interest, while others mentioned working through backlogs of work.

Inflows of new business continued falling during March, with reports from surveyed firms highlighting the influence of weakness in the wider economy. The rate of decline did however ease for the second month running and was the weakest recorded over the current downturn that began in July last year. This partly reflected a more moderate reduction in inflows of new business from abroad, which fell at the slowest rate for four months and only modestly.

Business expectations towards future activity meanwhile improved for the fourth in a row in March. The degree of optimism reached its highest level since February 2022 (since before Russia's full-scale invasion of Ukraine). Among the firms anticipating a rise in activity in the next 12 months, there were general hopes of a pick-up in market conditions over the course of the forthcoming year.

Although service providers continued to work through their outstanding business (i.e. orders awaiting completion) during March, the pace at which they did so was the slowest since June last year. The sustained decline in backlogs of work nevertheless hinted at spare capacity across the sector. Even so, firms remained in hiring mode, with a number of panellists commenting that they had taken on additional staff in order to support future growth. The pace of job creation moderated from February's eight-month high and was broadly in line with its long-run series average.

Rising wages remained the main factor behind a continued increase in operating expenses across the German service sector in March. That said, after having accelerated steadily for four months in a row, the rate of input price inflation slowed noticeably to its lowest since October last year. It did however remain comfortably above its long-run trend, with almost 28% of businesses recording a rise in costs versus only 3% registering a decline.

Similarly, average prices charged by services firms rose at a slower pace, but one that was still elevated by historical standards. Output price inflation sank to its lowest in almost three years in March, though it remained well above its pre-pandemic average.

Comment

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

"In the German services sector, a glimmer of hope emerged on the horizon in March. For the first time in six months, services activity has stabilized instead of contracting. While the acquisition of new business remains challenging, there are signs of a gradual easing in the downward trend. This trend extends to business conducted with international clients as well. Overall, the services sector is playing a stabilizing role in the broader economy. However, it is unlikely to be sufficient to avert another quarter of declining GDP at the start of this year."

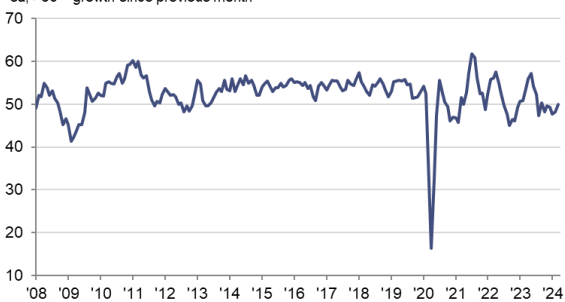
"The labour shortage continues to prevent most companies from laying off staff. In fact, employment has now seen a third consecutive month of increase, albeit with recent growth showing some moderation. It is evident that companies are operating under the assumption that future workloads will justify the current staff expansion. This fits to the brightened future outlook among service providers, with optimism reaching its highest level since the outset of 2022."

"Costs within the service sector continue to rise, albeit at a notably slower pace compared to the previous month, hinting at a deceleration in wage growth momentum. Moreover, inflation in sales prices has declined even more sharply than cost inflation, indicating more competitive pressure among service providers and a corresponding decrease in pricing power. This is basically good news for the European Central Bank, which has recently been particularly concerned about inflation in the service sector. However, this single monthly figure will most probably not be sufficient to prompt a loosening of monetary policy in April."

-Ends-

HCOB Germany Services PMI Business Activity Index

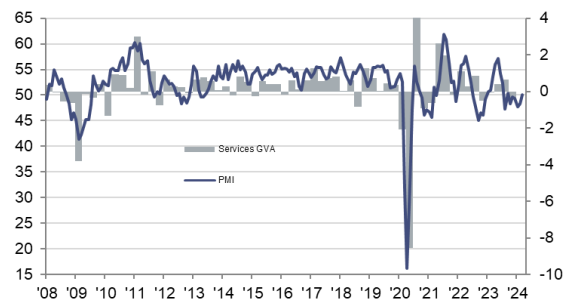
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

Services PMI Business Activity Index

sa, >50 = growth since previous month



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

HCOB Germany Composite PMI[®]

Downturn in private sector activity eases in March, as do price pressures

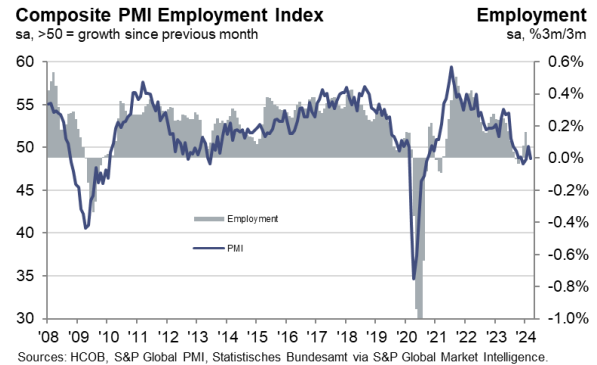
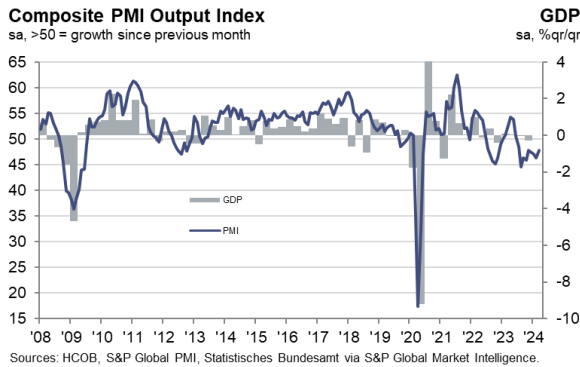
The downturn in Germany's private sector eased in March, as highlighted by the HCOB Germany Composite PMI Output Index climbing to a four-month high of 47.7 from February's 46.3. The rise in the index was driven mainly by a stabilisation in services activity, and to a lesser extent by a slower fall in manufacturing output.

It was a similar story for new business, which posted the smallest decrease for ten months. The decline in new export business likewise eased.

Business confidence continued to grow across the private sector. Expectations towards future activity reached their highest for a year, with services sentiment continuing to strengthen and the manufacturing sector also showing renewed optimism.

There was a setback for the labour market, however, as employment returned to contraction after briefly rising in February. Deepening factory job cuts more than offset a further – albeit slower – rise in services staffing numbers.

Rates of inflation meanwhile ticked down, especially that of output prices, largely due to slower increases in the service sector.



Contact

Hamburg Commercial Bank AG

Dr. Cyrus de la Rubia
Chief Economist
T: +49-160-9018-0792
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

The HCOB Germany Services PMI[®] 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 91% of final responses. Flash composite data were calculated from 92% 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.

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.

S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2024 S&P Global Ltd. All rights reserved. www.spglobal.com

About BME

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.).

Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME), Frankfurter Str. 27, 65760 Eschborn, GERMANY.

Contact: Frank Rösch, Head of Press and Communications, frank.roesch@bme.de, www.bme.de.

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.

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

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not

responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.