

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

## Business activity growth accelerates to four-month high in February

### Key findings:

HCOB Germany Services PMI Business Activity Index at 53.5 (Jan: 52.4). 4-month high.

HCOB Germany Composite PMI Output Index at 53.2 (Jan: 52.1). 4-month high.

Employment falls again despite positive business expectations

Data were collected 10-24 February.

February saw the upturn in Germany's service sector regain momentum as business activity growth ticked up to a four-month high, buoyed by stronger demand, the latest HCOB PMI<sup>®</sup> survey results showed.

However, despite firms recording a first – albeit marginal – increase in backlogs for four months and continuing to report strong optimism towards growth prospects, there was another solid decrease in service sector employment midway through the opening quarter.

The latest data showed persistent strong cost pressures facing services firms, albeit with the rate of inflation ticking down slightly since January. Average prices charged likewise rose at a slower rate.

The headline **HCOB Germany Services PMI<sup>®</sup> Business Activity Index** is based on a single question asking how the level of business activity compares with the situation the month before. A reading above 50.0 signals expansion, and the further above 50.0 the faster the rate of growth signalled. At 53.5 in February, the index was up from 52.4 in January and at its highest level since last October. The rate of growth signalled was quicker than the long-run average.

The service sector's improved performance in February owed in large part to a pick-up in underlying demand. Amid reports from surveyed businesses of new clients being won and the securing of large projects, the latest data showed a fifth straight monthly increase in inflows of new business. Moreover, the pace of expansion quickened to a three-month high, partly driven by a notable increase in new work received from non-domestic customers. The rate of growth in new export business was the strongest recorded since May 2023.

German service providers recorded a slight rise in the level of outstanding business (i.e. orders or projects awaiting completion) in February. It was only the third time that an increase in work-in-hand has been recorded in more than two-and-a-half years. The rise in backlogs of work coincided with a further reduction in staffing capacity across the service sector, with February seeing employment levels drop for the second month in a row. The rate of decline in workforce numbers was slightly quicker than in January and the fastest overall since June 2020. Firms cited layoffs, the non-replacement of leavers and having fewer employees due to increased staff costs.

Services firms recorded a steep rise in operating expenses in February, with many surveyed businesses attributing higher input prices to wage pressures. There were also mentions of increased energy and transport costs, as well as higher prices charged by suppliers. The rate of input price inflation ticked down from January's 12-month high, although it was still firmly above the historical trend.

Although services firms continued to pass through some of the burden of higher costs to customers, resulting in another marked increase in output charges, they were less aggressive with their price increases than in January.

Looking ahead, German service providers remained upbeat about growth prospects in the forthcoming year. The level of confidence retreated slightly from January's 20-month high, but it was still above the long-run average. Increased inflows of new work, hopes of an improvement in broader economic conditions and the use of artificial intelligence (AI) in business processes were all reasons for optimism, according to panel member reports.

## Comment

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

*"This is pretty robust growth from the service sector in February. The prospects for continued expansion are good, as new business grew more strongly than in the previous month, supported by large orders and a noticeable increase in new work from abroad. The order backlog, which had been declining in the previous three months, also rose in February. However, companies are trying to cope with the improved business situation with fewer employees. Perhaps companies need a little more certainty before they start hiring again."*

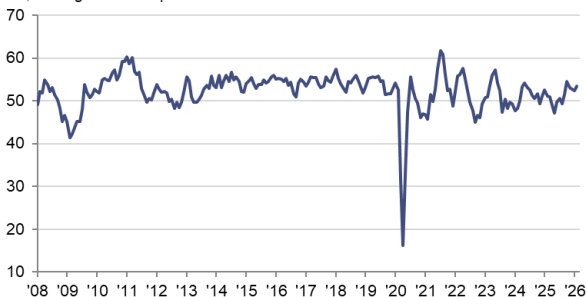
*"Costs in the service sector continue to rise quite rapidly. In addition to higher wages, companies cite increased energy and transport costs as the reason for this. However, they were only able to pass on a smaller portion of these cost increases to their customers. In view of the increase in business activity, however, we would not derive a trend from this pressure on margins, especially as optimism about future business activity remains at a high level and has only fallen slightly."*

*"The Composite PMI indicates that economic growth in the first quarter of the new year could remain at the previous quarter's level of 0.3%. Another positive factor is that both the service sector and the manufacturing sector, which had been a drag on growth for a long time, are expanding, and the order situation has improved in both sectors. The recovery could thus stabilize."*

-Ends-

**HCOB Germany Services PMI Business Activity Index**

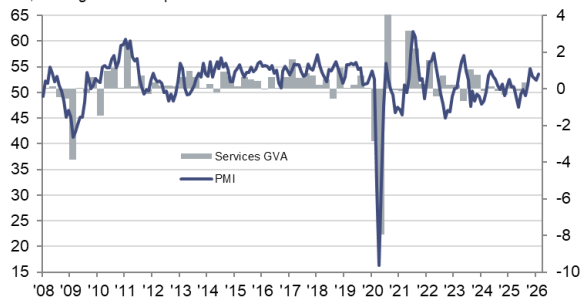
sa, >50 = growth since previous month



Sources: HCOB, S&P Global PMI.

**Services PMI Business Activity Index**

sa, >50 = growth since previous month



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

## HCOB Germany Composite PMI<sup>®</sup>

### Growth quickens in both manufacturing and services in February

Faster increases in activity in both the manufacturing and service sectors saw the HCOB Germany Composite\* PMI Output Index rise from 52.1 in January to a four-month high of 53.2 in February.

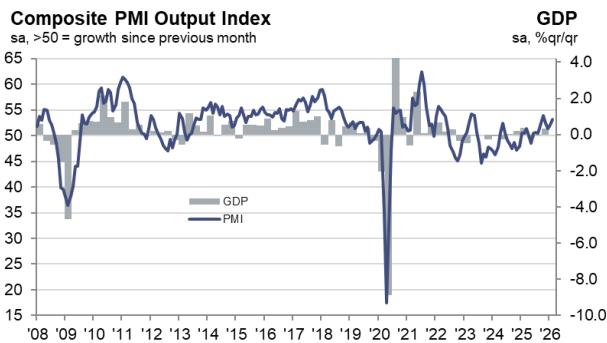
There was stronger demand for goods and services, including from abroad, as export sales rose simultaneously in both monitored sectors for the first time since February 2022.

Conversely, February saw another broad-based decrease in employment, although the overall rate of decline eased due to a slowdown in factory job cuts.

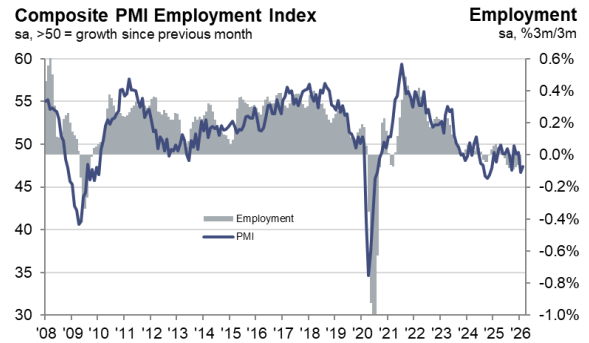
Backlogs meanwhile rose, albeit marginally, for the first time in four months, reflecting tentative signs of capacity pressures in both manufacturing and services.

Turning to prices, a faster rate of increase in input costs contrasted with a slowdown in output price inflation, albeit with the latter remaining above its long-run average.

Business expectations were little-changed, holding close to January's 20-month high, with stronger manufacturing sentiment counterbalancing a slight drop in services optimism.



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



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## Note to Editors

The HCOB Germany Services PMI<sup>®</sup> 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 85% of final responses. Flash composite data were calculated from 87% 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](mailto: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)

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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.).

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### About PMI

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