

NEWS RELEASE
MARKET SENSITIVE INFORMATION
Embargoed until 0955 CEST (0755 UTC) 3 July 2024

HCOB Germany Services PMI®

Business activity growth remains solid but loses some momentum in June

Key findings:

HCOB Germany Services PMI Business Activity Index at 53.1 (May: 54.2). 3-month low.

HCOB Germany Composite PMI Output Index at 50.4 (May: 52.4). 3-month low.

Cost inflation lowest since March 2021

Data were collected 12-25 June.

Another solid rise in business activity in June ended a positive second quarter for the German service sector, albeit with the rate of expansion easing slightly. The upturns in new business and employment also slowed down, while firms' growth expectations for the coming year were at a five-month low.

Business costs across the service sector meanwhile rose at the slowest rate since March 2021, although wage pressures meant that the rate at which input prices increased was still elevated by historical standards. Output price inflation also remained stubbornly high, and even ticked up slightly from May's recent low.

The **HCOB Germany Services PMI® Business Activity Index** – which is based on a single question asking how the level of business activity compares with the situation the month before – came in at 53.1 in June, its fourth consecutive reading above the 50.0 no-change threshold and one that was indicative of a solid rate of expansion. It was, however, down slightly from May's 12-month high of 54.2, marking the first drop in the index since January.

Firms that reported a rise in activity in June attributed this to a range of factors, including greater marketing and sales efforts, lower interest rates, the European Football Championships and generally stronger underlying demand. Inflows of new work increased for the third month running. The rate of growth eased to the weakest in this sequence, although it was still relatively solid by historical standards. Inflows of new work from non-domestic customers meanwhile rose at a slightly quicker pace, but one that was only modest overall.

Whilst businesses, on balance, expected activity to be higher in a year's time, the degree of optimism shown towards future growth prospects fell noticeably from a 27-month high in May to the lowest since January. Anecdotal evidence suggested this partly reflected the temporary boost to activity currently being provided by the European Football Championships, and the assumption among some firms that activity would be lower in June 2025 without such an event.

June saw employment rise across the German service sector, in line with the trend seen throughout the year so far. This reflected not only higher current activity, but also hopes for greater workloads in the coming months. That said, the pace of job creation was only modest and the weakest since January, having eased sharply from May's 11-month high.

Still, greater staffing capacity contributed to a decrease in the amount of outstanding business at services firms in June. The rate of depletion was the quickest for four months.

Turning to prices, June's survey showed the rate of input cost faced by German service providers slow for a fourth straight month, down to its lowest in over three years. It was still higher than the trend over the series history since 1997, however, amid widespread reports of upward pressure on operating expenses from growing wages.

Average prices charged for services likewise rose at a rate that far exceeded the long-run average. Here, the rate of inflation

even picked up slightly, after hitting a three-year low in May.

Comment

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

"The services sector is keeping Germany's economy afloat. Despite a slight loss in momentum, activity in services continues to expand at a solid rate. New business is coming in steadily, and companies are still hiring, albeit more cautiously than in May.

"It's a bit worrisome that outstanding business has come down after having stayed more or less constant over the last two months. We are inclined not to over-interpret this figure as the slowing down of consumer price inflation and higher wage agreements are supporting the purchasing power of the people. In addition, the European Football Championship, which already provided positive effects according to some respondents, will reach its "hot phase" in July. In this context, new export business, which includes tourism, is trending up since May. Thus, we are optimistic that growth in the service sector will be maintained.

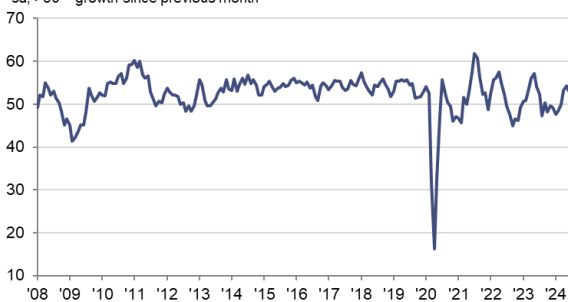
"While the European Football Championship likely supported activity last month, it may also explain why respondents are less optimistic about activity in June 2025, anticipating the absence of such a significant event. Despite this, the majority of respondents remain optimistic about activity levels a year from now.

"On the price front, input costs, including wages, are still rising faster than the long-term average, but there's been a slowing trend over the past four months. This could suggest that wages and salaries, which official data showed grew at a rate of 6.3% in the first quarter, will see a much lower rate of increase in the second quarter. The ECB would certainly welcome this, as it could open the door for new rate cuts. However, the ECB will also keep an eye on the prices charged in the eurozone's largest economy. These have picked up pace again, sending a note of caution to the central bankers. This fits to our view that a rate cut will only happen in September."

-Ends-

HCOB Germany Services PMI Business Activity Index

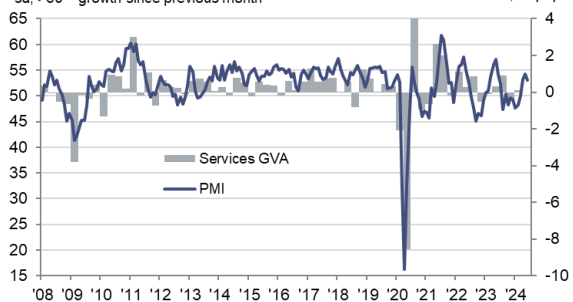
sa, >50 = growth since previous month



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[®]

Private sector growth slows to marginal pace

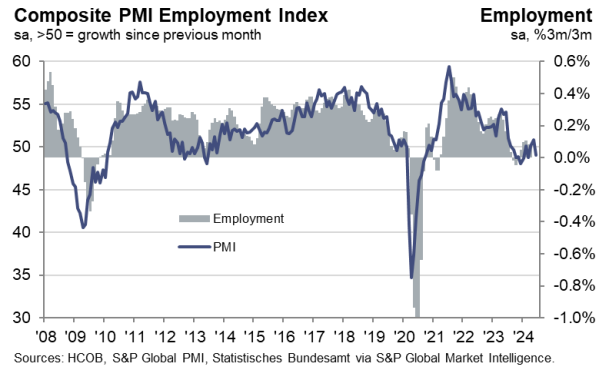
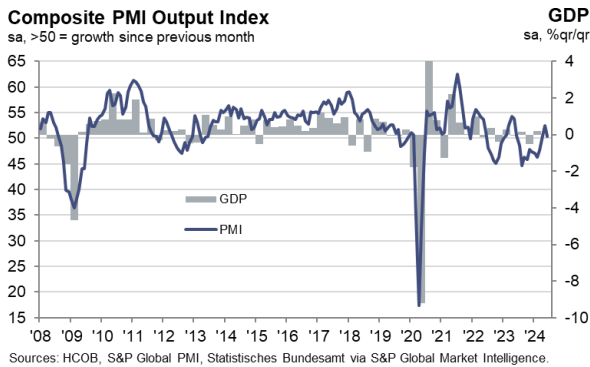
Although business activity rose across the German private sector for the third month running in June, the rate of growth slowed to only a marginal rate. This was highlighted by the HCOB Germany Composite PMI Output Index dropping from May's 12-month high of 52.4 to 50.4.

Whilst service sector activity growth eased, the main driver of the slowdown was a deeper decline in manufacturing output.

June also saw a renewed downturn in total inflows of new business, following the first increase in more than a year in May. Latest data showed an increased drag on demand from falling export sales, which owed exclusively to the manufacturing sector.

Business expectations also weakened in June, although this was driven entirely by less optimism among services firms.

On the price front, inflationary pressures across the two sectors combined remained relatively subdued, with rates of increase in input costs and output charges tracking below their respectively long-run averages. Services output price inflation remained stubbornly high, whereas factory gate charges continued to fall.



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 81% 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.

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.