

News Release

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S&P Global Germany Services PMI®

Slower fall in German service sector business activity in December

Key findings

Business Activity Index ticks up to five-month high of 49.2

Price pressures retreat further from recent highs

Business confidence improves but remains subdued

Germany's services firms reported a slower decrease in business activity in December, latest PMI® survey data from S&P Global showed, in a further sign of the downturn in the eurozone's largest economy easing. Price pressures meanwhile remained elevated but retreated further from their recent peaks. Business confidence improved for a third successive month, though expectations nevertheless remained subdued by historical standards amid ongoing headwinds to demand and heightened risks to the economic outlook.

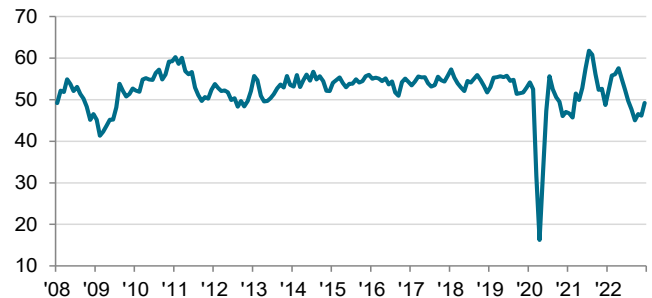
The seasonally adjusted headline S&P Global Germany Services PMI® Business Activity Index – which is based on responses to a single question asking about changes in the volume of business activity compared with one month previously – rose notably from November's 46.1 to 49.2 in December. Although registering below the 50.0 no-change mark for a sixth successive month, the latest reading pointed to only a modest rate of contraction that was the slowest since last July.

Where activity fell during the month, surveyed firms generally linked this to a slowdown in demand, whilst also highlighting the influence of uncertainty, high prices and rising interest rates. Indeed, December saw a sustained and marked decline in inflows of new work, the rate of decline of which eased only slightly since November. A further notable (albeit slower) drop in new export business was a contributing factor.

The loss of incoming new work was reflected in a fourth straight monthly reduction in backlogs of work across the services economy in December. The rate at which outstanding business was depleted was slightly slower than in the previous survey period and only moderate overall.

Helping services firms make inroads into order backlogs was a rise in staffing capacity. Employment growth was recorded for a thirtieth straight month in December, with companies commenting on the rebuilding of workforces

S&P Global Germany Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 6-20 December 2022.

Comment

Phil Smith, Economic Associate Director at S&P Global Market Intelligence, said:

"Germany's service sector remained in contraction territory in December, with activity under pressure from a combination of high inflation, tightening financial conditions and continued economic uncertainty. Encouragingly, however, the downturn has lost momentum, which together with a slower decline in manufacturing production at the end of the year adds to the hopes that any recession will be milder than initially feared.

"Business confidence has recovered somewhat after having hit a near two-and-a-half-year low back in September, helped in part by the announcement of gas and power price caps, but concerns about the outlook, including those around energy, haven't gone away entirely and growth expectations remain muted.

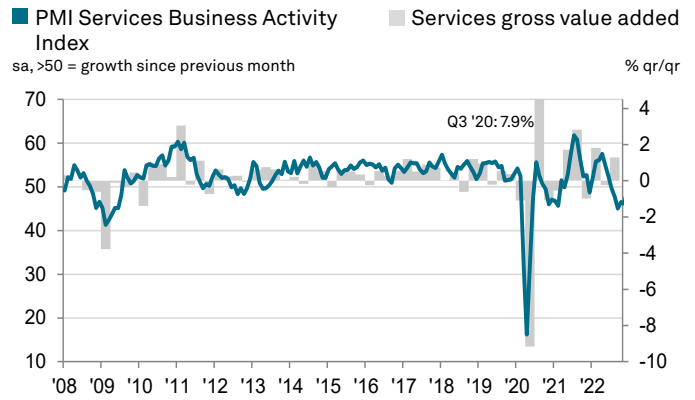
"December saw the survey's measures of input cost and output charge inflation maintain a steady retreat from the record highs seen earlier in the year, in a further sign that underlying price pressures have passed their peak. However, the services price gauges remain among the highest on record, unlike in manufacturing where they have fallen more markedly due in part to a greater exposure to softening material costs."

following pandemic-related job cuts. The overall pace of hiring remained subdued compared to what was seen during most of 2021 and the first half of 2022, although it did pick up slightly to a four-month high.

The rate of input cost inflation faced by German services firms remained elevated by historical standards in December. Higher energy prices were a key driver, according to surveyed firms, alongside rising personnel costs. However, the overall rate of input price inflation retreated further from 2022's series record highs to the lowest since last January.

Average prices charged by services firms likewise rose at a slower pace in the final month of 2022. Here, the rate of inflation slipped to its lowest since last August, but it nevertheless remained quicker than at any time in the series history prior to March last year.

Lastly, December's survey showed a sustained recovery in business expectations across the German service sector, with confidence improving further from last September's recent low. For the first time in four months, those that were optimistic about the year-ahead outlook for activity outnumbered the pessimists, but only just. Sentiment remained historically weak, reflecting ongoing concerns about a general economic slowdown, elevated price inflationary pressures, and the cost and supply of energy.



Sources: S&P Global, Federal Statistics Office.

S&P Global Germany Composite PMI®

Slower fall in private sector business activity in December as price pressures ease

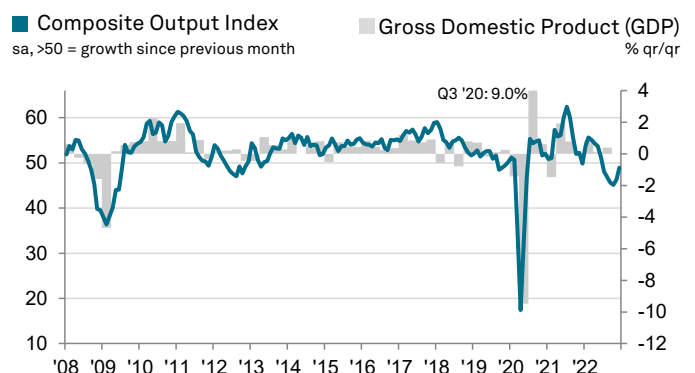
The S&P Global Germany Composite PMI Output Index* ticked up for the second month running in December, registering 49.0 from November's 46.3. The latest reading was the highest in the current six-month sequence of contraction and reflected slower declines in both manufacturing and services.

New orders continued to exhibit a weaker trend than output, falling particularly sharply in manufacturing, but likewise showed a slower overall rate of contraction. This was also the case for new export orders.

Latest data signalled a broad-based upturn in business expectations, indicating a sustained rebound from the September-October lows. That said, sentiment remained historically subdued.

Led by easing manufacturing price pressures, there were further slowdowns in the rates of input cost and output charge inflation to 20- and 12-month lows respectively.

Lastly, December saw another modest rise in private sector employment.

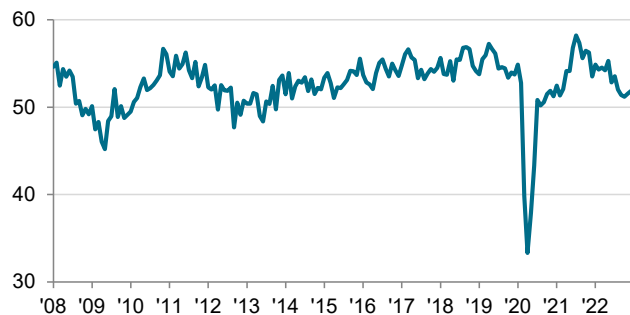


Sources: S&P Global, Federal Statistical Office.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

Germany Services PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

Germany Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global.

Survey methodology

The S&P Global 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Flash vs. final data

Flash services data were calculated from 80% 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).

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. ihsmarkit.com/products/pmi.html.

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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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