

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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# HCOB Flash Germany PMI<sup>®</sup>

## Germany ends third quarter in contraction as demand for goods and services falls sharply

### Key findings:

HCOB Flash Germany Composite PMI Output Index<sup>(1)</sup> at 46.2 (Aug: 44.6). 2-month high.

HCOB Flash Germany Services PMI Business Activity Index<sup>(2)</sup> at 49.8 (Aug: 47.3). 2-month high.

HCOB Flash Germany Manufacturing PMI Output Index<sup>(4)</sup> at 39.2 (Aug: 39.4). 40-month low.

HCOB Flash Germany Manufacturing PMI<sup>(3)</sup> at 39.8 (Aug: 39.1). 3-month high.

Data were collected 12-20 September

Business activity across Germany fell for the third month in a row in September amid a sustained decline in demand for goods and services, according to latest HCOB 'flash' PMI<sup>®</sup> survey compiled by S&P Global. The weaker demand environment saw average output prices rise at the slowest rate for over two-and-a-half years, despite an intensification of cost pressures. Employment meanwhile fell for the first time since December 2020, albeit only slightly, as businesses reported shrinking backlogs of work and pessimistic expectations for activity in the year ahead.

The headline **HCOB Flash Germany Composite PMI Output Index** registered in sub-50.0 contraction territory in September, as has been the case throughout the third quarter of the year. At 46.2, the latest reading was up from August's 39-month low of 44.6, but nevertheless indicative of another solid reduction in private sector business activity. Manufacturing continued to lead the decline, registering its sharpest fall in production since May 2020 (output index at 39.2). Services activity meanwhile decreased only fractionally (index at 49.8), with the rate of contraction having eased noticeably from the previous month.

The downturn continued to be driven by a drop in demand for goods and services, with **total inflows of new work** falling for the fifth consecutive month in September. Moreover, the rate of contraction was the quickest observed since the opening wave of the COVID pandemic in early-2020. The acceleration reflected a faster fall in service sector new business – the steepest for a year. Manufacturing new orders continued to fall particularly sharply, although the rate of decline was the weakest for three months. Both monitored sectors recorded marked reductions in **new business from abroad**.

Latest data pointed to a weakening of firms' pricing power as average **output charges** rose at the slowest rate since February 2021, and one that was broadly in line with the series long-run trend. Prices charged by service providers continued to rise relatively sharply, although the rate of inflation sank to a 28-month low. Factory gate charges meanwhile decreased for the fourth month running and at the joint-quickest rate since September 2009.

By contrast, **input cost inflation** faced by businesses ticked up for the second month running to the quickest since May, although it was still below the series historical average. Operating expenses in the services sector rose to the greatest extent for four months, driven by wage pressures and higher fuel prices. The decline in manufacturing purchasing costs, although still sharp, eased to the weakest since April.

A lack of incoming new work saw businesses' **order book backlogs** continue to fall during September. Furthermore, faster declines in both monitored sectors saw the overall rate of depletion accelerate to the quickest since May 2020. **Business expectations** towards future activity meanwhile sank to the lowest since November last year, with pessimists once again outnumbering optimists. Sentiment weakened in both monitored sectors, although in the case of services it remained marginally positive.

**Employment** fell slightly at the end of the third quarter amid broad-based caution towards hiring, thereby ending a sequence of continuous job creation that had stretched back to January 2021. Manufacturing workforce numbers fell slightly for the third month running, whilst services staffing levels ticked down for the first time in over three years.

**Comment**

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

*"The German services PMI stopped its slump and nudged up near 50 in September. This is a pleasant surprise, to be sure. However, in terms of growth it means that activity remained broadly flat following the decline recorded in August. Therefore, our nowcast for services, which considers the PMI data, continues to signal a drag in the third quarter.*

*"It's no secret that the German manufacturing sector has been going through the wringer lately. The HCOB PMIs, however, indicate that things aren't going downhill as fast as before, with the decline in new orders slowing down. In addition, the reduction in purchasing activity is losing momentum. Still, our nowcast for manufacturing production, which includes the PMI figures, is hinting at a drop of more than 2 percent compared to the second quarter.*

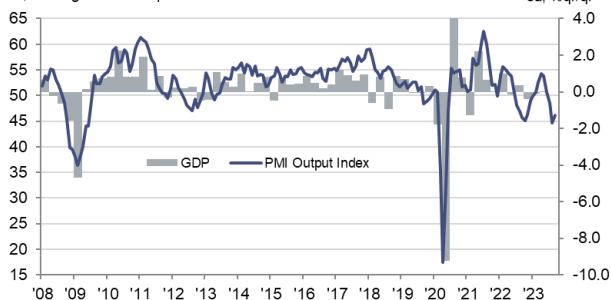
*"The goods sector is still jamming to that deflation tune of recent months, according to PMI numbers. Looking at manufacturing input prices, they keep heading south, just not as quick as before. Most probably this is due to energy prices which have spiked over the last few weeks. Factory output prices, by contrast, have been cut at a marginally faster rate than the month before.*

*"The HCOB Composite PMI confirms our view that Germany has entered once again into contraction during the current quarter, after the downturn at the tail end of 2022 and early 2023. Our nowcast points to a rather deep GDP slump of 1 percent compared to the quarter before. Having said this, some important sub-indicators like new business and backlogs of work, which appear to be reaching a bottom, offer hope of an end to this slump as we hit the new year."*

-Ends-

**HCOB Germany Composite PMI Output Index**

sa, >50 = growth since previous month



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

**GDP**

sa, %qr/qr

**HCOB Germany Manufacturing PMI**

sa, >50 = improvement since previous month



Sources: HCOB, S&P Global PMI.

## Contact

### Hamburg Commercial Bank AG

Dr. Cyrus de la Rubia  
Chief Economist  
T: +49-40-3333-15260  
[cyrus.delarubia@hcob-bank.com](mailto:cyrus.delarubia@hcob-bank.com)

Katrin Steinbacher  
Head of Press Office  
Senior Vice President  
T: +49-40-3333-11130  
[katrin.steinbacher@hcob-bank.com](mailto:katrin.steinbacher@hcob-bank.com)

### S&P Global Market Intelligence

Phil Smith  
Economics Associate Director  
T: +44-149-146-1009  
[phil.smith@spglobal.com](mailto:phil.smith@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
T: +44-796-744-7030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

## Note to Editors

Final September data are published on 2 October for manufacturing and 4 October 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 <sup>1</sup>	0.0	0.4
Manufacturing PMI <sup>3</sup>	0.0	0.3
Services Business Activity Index <sup>2</sup>	-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](mailto: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.

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.

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### About PMI

Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) 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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