

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Flash Germany PMI®

## German business activity rises only marginally in June as growth slows

### Key findings:

HCOB Flash Germany Composite PMI Output Index<sup>(1)</sup> at 50.6 (May: 52.4). 2-month low.

HCOB Flash Germany Services PMI Business Activity Index<sup>(2)</sup> at 53.5 (May: 54.2). 2-month low.

HCOB Flash Germany Manufacturing PMI Output Index<sup>(4)</sup> at 44.9 (May: 48.9). 3-month low.

HCOB Flash Germany Manufacturing PMI<sup>(3)</sup> at 43.4 (May: 45.4). 2-month low.

Data were collected 12-19 June

June saw a third straight monthly rise in business activity across the German private sector, but the rate of growth slowed to only a marginal pace amid a solid and accelerated drop in manufacturing production, the latest HCOB 'flash' PMI® survey compiled by S&P Global showed. Business optimism towards the year ahead softened, while there was also a setback for the labour market as employment fell for the first time in three months.

Elsewhere, the survey continued to show sticky services inflation, although the rate at which costs increased in the sector eased to the slowest since March 2021. Manufacturing input and output prices meanwhile continued falling, albeit at slightly slower rates.

The headline **HCOB Flash Germany Composite PMI Output Index** registered above the 50.0 no-change threshold for the third month in a row in June. However, falling from May's 12-month high of 52.4 to 50.6, it signalled a noticeable slowdown in the rate of growth across the private sector. Services activity posted another solid monthly increase (index at 53.5), despite the upturn losing some momentum. The main drag on the headline index came from renewed weakness in manufacturing production which, after coming close to stabilising in May, fell at a solid and accelerated rate that was the quickest for three months (index at 44.9).

This dichotomy between growth in services and contraction in manufacturing was also observed with respect to **new business**. Moreover, the decline in factory new orders was sharp and such that it offset a modest increase seen in services, thereby leading to a renewed decline in total inflows of new work. Stronger demand for services was supported by a second straight monthly rise in **new business from abroad** in the sector. Manufacturing export sales, on the other hand, fell at the quickest rate since March.

Private sector **employment** dipped slightly at the end of the second quarter, marking the first decrease in three months. There was another round of job creation within the service sector, linked to increasing workloads and hopes of greater activity in the coming months, but the pace of hiring slowed noticeably from that seen in May to a three-month low. The decline in factory payroll numbers meanwhile extended to a twelfth straight month, although it eased to the weakest since January.

This setback for the labour market came amid signs of a general lack of pressure on business capacity. There were faster decreases in **backlogs of work** in both monitored sectors, with manufacturers once again recording the much sharper rate of depletion.

**Business expectations** softened at the end of the second quarter, almost entirely unwinding the improvement seen in May when the degree of optimism had reached to a 27-month high. The moderation in sentiment, which saw expectations back broadly in line with their long-run average, was driven exclusively by service sector confidence retreating to its lowest since January. Sentiment in the manufacturing sector was unchanged from the month before, thereby remaining at its highest since February 2022.

On the inflation front, latest data showed a modest uptick in the rate of increase in **output prices** from a 40-month low in May. Services inflation remained well above its historical series average and quickened slightly from the month before. That was despite a further slowdown in the rate of increase in service sector input costs to the lowest since March 2021.

Weak demand meanwhile resulted in further price cuts across the manufacturing sector during June. Here, the rates of decline in both input costs and output charges were relatively solid, but they eased to the weakest for two and four months, respectively.

## Comment

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

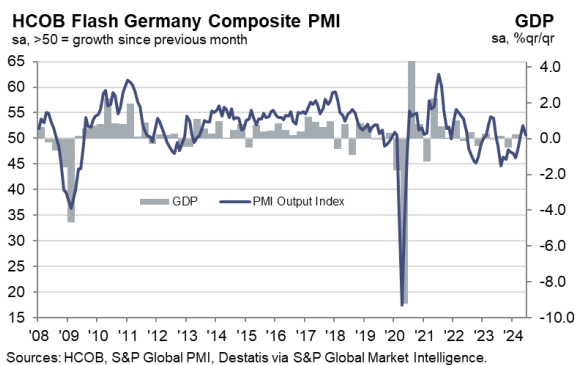
*"What a sharp dip at the end of the second quarter. After showing some promising signs of bouncing back, the manufacturing sector hit a wall and started moving in the opposite direction in June. The market consensus had assumed that the headline manufacturing PMI would rise by one point to 46.4, but instead it fell by two points to 43.4. The production slump is pretty sobering, but what's even more concerning is that new orders are plummeting at a much faster rate. Last month's numbers were already troubling, but June's figures paint an even grimmer picture. The HCOB Composite Output Index is mainly dragged down by manufacturing production. If you use the composite index for a simple regression to estimate GDP in the second quarter, you now get a marginal decline in economic output instead of our prior estimate of slight growth."*

*"It's an uphill struggle. All indicators point to the fact that demand for industrial goods is not getting off the ground, despite an improved global environment. It's not just the significant reduction in incoming orders from both home and abroad that's concerning. On top of that, the persistent decrease in inventories, a trend observed since early 2023, continues unabated. Over the last three months, businesses have been clearing out their stocks of finished goods at an increasingly fast rate. This seems to be a clear indication that the demand recovery is taking a hit."*

*"Fortunately, Germany's economic performance is not only based on the manufacturing industry, but also on the service sector. The latter continues to be in good shape. Although momentum slowed slightly in June, the sector is not lacking in self-confidence, which is reflected in the fact that companies raised their sales prices more sharply in June than in the previous month. Service providers cannot complain about a lack of new orders either and export business is also picking up a bit."*

*"The ECB's persistent headache these days is inflation in the service sector. The HCOB PMI data from Germany offers little reason to reduce these concerns. Services input prices, in which labour costs play an important role, have risen almost as much as in May and sales prices are even showing a stronger increase than in the previous month. According to official statistics, wages and salaries rose by 6.3% in the first quarter in Germany, and we've seen a continued impact on operating expenses from labour costs in the second quarter. This should be a further reason for the ECB to proceed cautiously with interest rate cuts."*

-Ends-



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## Note to Editors

Final June data are published on 1 July for manufacturing and 3 July 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@spglobal.com](mailto:economics@spglobal.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.

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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.

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### 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. <https://www.spglobal.com/marketintelligence/en/mi/products/pmi.html>

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