

NEWS RELEASE
MARKET SENSITIVE INFORMATION
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HCOB Flash Germany PMI[®]

German business activity returns to growth in June

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 50.4 (May: 48.5). 3-month high.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 49.4 (May: 47.1). 3-month high.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 52.6 (May: 51.4). 39-month high.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 49.0 (May: 48.3). 34-month high.

Data were collected 12-19 June.

Business activity returned to growth across Germany in June, ticking up slightly after falling for the first time in five months in May, according to the latest HCOB 'flash' PMI[®] survey data. The upturn was led by the manufacturing sector and supported by a first increase in overall new orders for more than a year. Firms in the eurozone's largest economy nevertheless continued to trim workforce numbers and were a little less optimistic about the year-ahead growth outlook than the month before.

On the price front, the rate of inflation in average charges for goods and services ticked up from May's seven-month low, bringing it back just above its long-run average. That was despite firms' input costs rising at the slowest rate since October last year.

The **HCOB Flash Germany Composite PMI Output Index** came in at 50.4 in June, rebounding from a five-month low of 48.5 in May. The latest reading signalled a modest rate of expansion as growth in manufacturing production was partly offset by a further – albeit slower – reduction in services activity. Output in the goods-producing sector in fact recorded its strongest rise since March 2022 (index at 52.6), to extend the current sequence of growth to four months. The drag from the service sector meanwhile eased, with activity in this segment of the economy falling only marginally and at the weakest rate in the current three-month sequence of contraction.

Underlying demand conditions showed signs of strengthening at the end of the second quarter, as underscored by the first rise in **total inflows of new work** across the private sector since May last year. The increase was driven by the manufacturing sector, which saw the strongest growth in new orders for more than three years. Goods producers reported a solid uptick in business from abroad, whilst there were also several mentions from surveyed firms of stronger domestic demand. New business in the service sector meanwhile came close to stabilising, registering only a fractional decline that was the weakest in the current ten-month downturn.

June flash data indicated another broad-based reduction in **backlogs of work** across the German private sector. The rate of depletion slowed to the weakest in 14 months, although it was still solid as manufacturers recorded their most marked reduction in work-in-hand so far this year.

A lack of pressure on operating capacity in the goods-producing sector was reflected in further factory **job cuts** in June. Furthermore, the rate of staff retrenchment in manufacturing accelerated for the first time in four months and was the quickest since February. Services workforce numbers rose modestly and slightly more so than they had done in May, but that was insufficient to prevent a thirteenth straight monthly decline in overall employment.

Turning to prices, June's flash survey results indicated an uptick in the rate of **output charge inflation**. This was underpinned by slightly stronger price increases across services, with average factory gate charges falling for the second month running and to the greatest extent since February. Manufacturers discounted their output prices amid a further sharp decline in average purchase prices. At the same time, there was a slight softening of cost increases in the service sector, meaning overall input

price inflation slowed for a fifth straight month to the weakest since last October.

Lastly, preliminary data for June showed a slight reduction in **businesses' optimism** towards growth prospects in the next 12 months. Confidence slipped just below the long-run average due to a dip in service sector expectations. The result did however mask slightly stronger manufacturing sentiment, which was the above its historical trend level and the highest seen since February 2022.

Comment

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

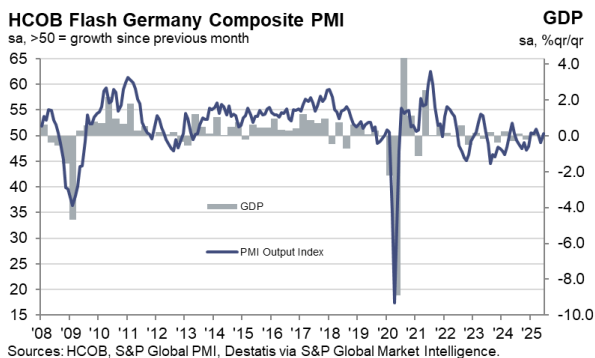
"It looks like Germany's manufacturing sector might finally be turning a corner. For four months in a row now, production has been ticking up. As a result, economic output in this sector grew in the first half of this year. At 49 points, the headline index is still slightly in recessionary territory, due to factors such as further job cuts, but the trend has been upward since the beginning of the year. It is also encouraging that order intakes have returned to growth, meaning that the momentum of recent months cannot be attributed solely to advance orders from the US, where many companies had stocked up on goods in anticipation of higher tariffs."

"Following the sharp slump in activity in May, the situation in the service sector is stabilizing somewhat. Business activity has declined only slightly, and companies in this sector have increased their staffing levels somewhat more than in the previous month. The fact that companies were able to implement greater price increases than in May also suggests that the sector is not doing as badly as might have been expected after the previous results."

"Changes in inventories are often seen as an indicator of economic turning points. However, the accelerated reduction in inventories should not be misinterpreted in the current context. This may be explained by the fact that some companies were surprised by the higher demand for their goods and therefore drew more heavily on their inventories. The coming months will show whether companies are becoming more confident about the emerging upturn – which is our expectation – or whether they remain cautious and continue to reduce their inventories."

"There is a decent chance Germany could finally break out of the frustrating stop-start growth pattern it's been stuck in for the past two years – one quarter of growth followed by another of contraction. This is indicated by our nowcast, which takes into account the rise of the Composite PMI. We are confident about the second half of the year anyway, as the new federal government's initial expansionary measures could then take effect."

-Ends-



Contact

Hamburg Commercial Bank AG

Dr. Cyrus de la Rubia
Chief Economist
T: +49-160-90180-792
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

Hannah Brook
EMEA Communications Manager
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

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 ¹	0.0	0.4
Manufacturing PMI ³	0.0	0.3
Services Business Activity Index ²	-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.

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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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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