

News Release

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S&P Global Germany Services PMI®

Services activity rises further in May, but rate of growth eases as post-lockdown momentum begins to fade

Key findings

Business Activity Index ticks down to four-month low of 55.0

Survey's price gauges retreat slightly from April's record highs

Rate of job creation remains robust despite low business confidence

Germany's service sector companies reported a continued rise in business activity in May, although the rate of growth slowed amid signs that the post-lockdown rebound was starting to fade and rising prices were straining demand. Rates of both input cost and output price inflation remained remarkably high, although they did ease slightly from April's record levels.

Positively, the labour market continued to be boosted by firms' efforts to expand operating capacity, with employment growth even gathering pace midway through the second quarter. That was despite firms' confidence towards growth prospects in the coming year remaining low.

The seasonally adjusted headline S&P Global Germany Services PMI® Business Activity Index registered a reading of 55.0 in May. That was still well above the neutral 50.0 mark that separates growth from contraction, although it was down from 57.6 in April and the lowest for four months.

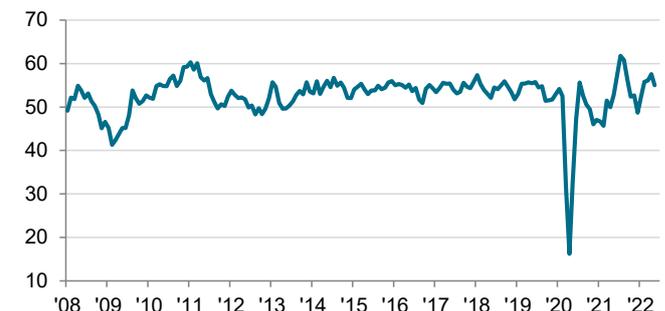
As was the case with business activity, inflows of new work across the German service sector increased for the fifth month in a row in May. Firms commented on catch-up effects following the recent easing of virus containment measures and infections. That said, the rate of new business growth slowed since April, reflecting a fading of the post-lockdown recovery and greater reluctance among clients due to economic uncertainty and elevated prices.

The slower rise in overall new work came despite a return to growth in new export business, which was boosted in a part by a pick-up in travel activity, anecdotal evidence showed.

May saw a further rise in the amount of outstanding business (i.e. new work received but not yet fulfilled) at German service firms. Furthermore, amid reports of supply issues and staffing capacity constraints, backlogs of work accumulated at the quickest rate for nine months.

Services firms' efforts to increase workforce numbers led to

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



Source: S&P Global.
Data were collected 12-26 May 2022.

Comment

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

"The service sector remained a bright spot for the German economy in May, showing a decent pace of growth at a time when manufacturing is struggling. That said, the survey showed signs of a loss of momentum as activity rose at the slowest rate for four months, reflecting a fading of the post-lockdown rebound as well as growing headwinds from sharp price increases and hesitancy amongst clients."

"Latest data brought more positive news on the labour market, and even showed an acceleration in the rate of service sector job creation to a six-month high. Businesses' willingness to add to workforce numbers has so far stood firm in the face of the recent economic and geopolitical uncertainty and rapidly rising operating expenses."

"Services firms' costs continued to balloon during May, growing at a pace that remained close to April's record high and leading to a further, albeit slightly slower, rise in prices charged for services."

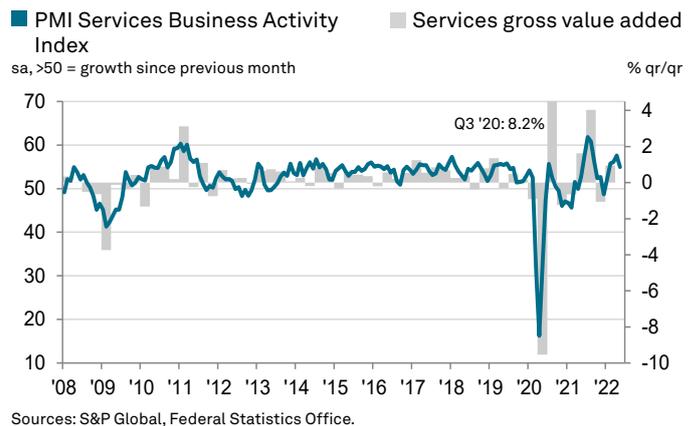
"With firms not expecting any quick fixes when it comes to resolving supply chain issues, alleviating cost pressures and reducing the current economic uncertainty, business confidence towards growth prospects in the coming year remains low."

a further rise in sector employment during May, the twenty-third in as many months. Furthermore, the pace of job creation accelerated to the fastest since November last year and was strong by historical standards.

In terms of growth expectations for the year-ahead, however, May's survey indicated a low level of optimism. After plummeting during the previous two months to a one-and-a-half year low in April, business confidence improved only slightly in the latest survey period and remained comfortably below the long-run average. Firms reported concerns about inflation, higher borrowing rates, supply chain disruption and the impact on demand from heightened economic uncertainty.

May saw another steep rise in German services firms' operating expenses, underpinned by higher energy and fuel prices, growing wage bills and increased material costs. Though the rate of input price inflation ticked down slightly since April, it was still quicker than at any other time in the series history.

With many businesses looking to offset higher costs, latest data showed a sustained surge in average prices charged for services. The rate of increase was the second-quickest on record, just behind April's peak.



S&P Global Germany Composite PMI®

Private sector output growth eases in May

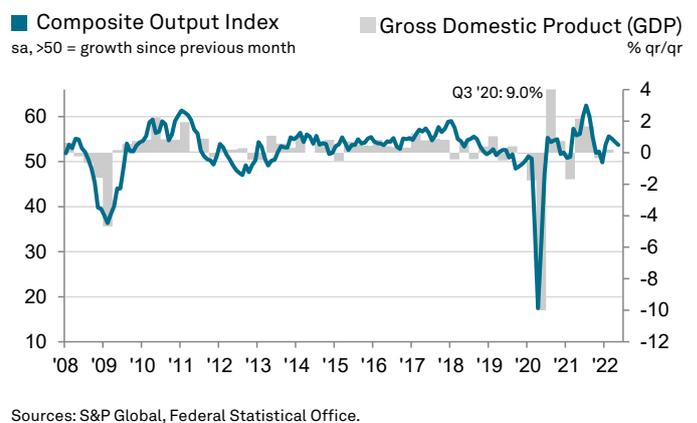
The S&P Global Germany Composite PMI Output Index* slipped from April's 54.3 to 53.7 in May. That was still in growth territory but signalled a sustained loss of momentum as it fell for the third month running.

Underlying data showed increases in both services activity and manufacturing production, with the former seeing the stronger expansion.

Overall inflows of new business meanwhile showed the slowest rise for five months, partly reflecting a drag from falling demand for manufacturing goods (particularly from abroad).

Employment remained a bright spot, rising strongly and across both monitored sectors. This was despite generally subdued business confidence towards the outlook.

On the price front, data showed a further sharp rise in average charges for goods and services, albeit with the rate of increase easing from April's record. Underlying cost inflation also came down slightly but remained elevated.



*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 91% of final responses. Flash composite data were calculated from 93% 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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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.).

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