

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Germany Services PMI®

## German service sector ends second quarter on a more stable footing

### Key findings:

HCOB Germany Services PMI Business Activity Index at 49.7 (May: 47.1). 3-month high.

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

Pace of job creation ticks up as declines in new work and backlogs ease

Data were collected 12-25 June.

Business activity came close to stabilising across Germany's service sector at the end of the second quarter, registering only a fractional decrease that was the weakest in the current three-month sequence of contraction, the latest HCOB PMI® survey showed. The declines in new business and backlogs of work also eased, while there was a slight pick-up in the pace of job creation as firms expressed greater optimism towards the outlook.

Inflationary pressures meanwhile continued to ease across the services economy, with latest data showing slightly slower rates of increase in both firms' input costs and average prices charged.

The headline **HCOB Germany Services PMI® Business Activity Index** is based on a single question asking how the level of business activity compares with the situation the month before. A reading below 50.0 signals contraction, and the further below 50.0 the faster the rate of decline signalled. June saw the headline index rise substantially from May's two-and-a-half-year low of 47.1 to 49.7. The latest reading was indicative of only a marginal decline in activity – the weakest seen since the current downturn began in April.

Reports from surveyed firms continued to highlight a headwind from subdued underlying demand, with specific mentions of customers holding back spending and showing a general reluctance to commit to new projects. Inflows of new business were down for the tenth month in a row in June. That said, the rate of decline was the joint-weakest in this sequence and only marginal overall. There remained a drag from falling inflows of new work from abroad, though even this eased slightly from the month before.

Backlogs of work decreased for the fourteenth month running in June, in a sign of a lack of pressure on operating capacity. The pace of depletion did however ease for the third time in the past four months and was the weakest recorded since May last year.

Latest data showed a sustained upturn in employment across Germany's services sector, with workforce numbers growing for the sixth month in a row in June. The pace of job creation quickened slightly, although it was still only modest.

Efforts to increase staffing capacity coincided with an improvement in firms' growth expectations for the coming year. Confidence on this front has now risen in each of the past two months, following a notable drop in sentiment in April, although the degree of optimism remained below the long-run average. Firms that were upbeat about the outlook cited factors such as stimulus from the new government, lower interest rates and new products and services in the pipeline.

June's survey results meanwhile indicated a further moderation in inflationary pressures across the German service sector. Key to this was a softening of the rate of input price increases, which was the weakest since March. Where operating expenses did rise, this was often linked by surveyed businesses to wages.

Services firms looked to pass on at least part of the burden of higher costs to customers by raising prices charged. That said, the rate of output price inflation ticked down for the fourth month in a row to its lowest since October last year. Still, as was the case for costs, the pace of increase remained above its historical trend rate.

## Comment

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

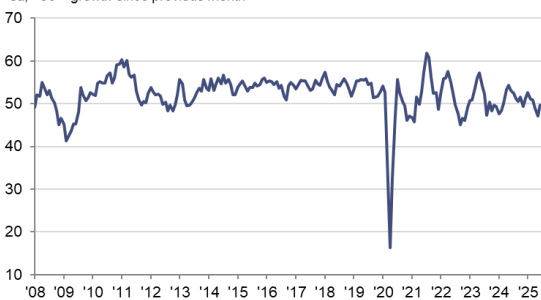
*“Service providers have been having somewhat of a tough time for three months now. After a deeper slump in May, the situation has stabilised somewhat, but business activity declined again in June. It has been difficult to pinpoint exactly where the sector is in the economic cycle for several years now. Since Covid-19, relatively strong volatility has been observed in activity in this sector, where growth and contraction alternate at relatively short intervals. We expect economic growth in Germany to pick up in the second half of the year, benefiting not only the construction sector and industry, but also the service sector. This is backed by the massive economic stimulus package that the German government is currently putting in place. We should not expect miracles, but we do expect a solid boost for growth, which could be around 1.6 percent next year.*

*“In addition to sluggish demand, service providers continue to be hit by relatively sharp cost increases. At least companies are in a position to pass on some of these cost increases to their customers. In June, companies managed to raise their sales prices at almost the same rate as in the previous month. From a corporate perspective, this points to a relatively healthy market structure without ruinous price competition.*

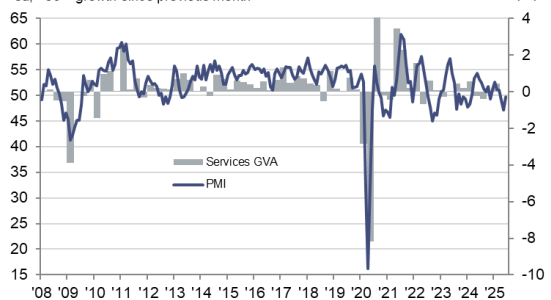
*“Service providers are still unwilling to bring themselves to make bold job cuts. On the contrary, more people were hired in the last month than in May. Taking a positive view, this could be interpreted as meaning that service providers are confident that they will soon receive more orders. This is backed by the anecdotal evidence of some companies that want to expand capacity and by an uptick in expectations for future activity, even though they remain subdued by historical standards. Being a bit more sceptical, higher employment could suggest that more people are needed to achieve a similar level of activity as before. Corporate employment policy of expanding the workforce would be the result of many people only partially meeting the requirements of their jobs – thus you need more of them to do the same amount of labour – and therefore labour productivity declines. We are inclined to back this – admittedly bold – thesis.”*

-Ends-

**HCOB Germany Services PMI Business Activity Index**  
sa, >50 = growth since previous month



**Services PMI Business Activity Index**  
sa, >50 = growth since previous month



# HCOB Germany Composite PMI<sup>®</sup>

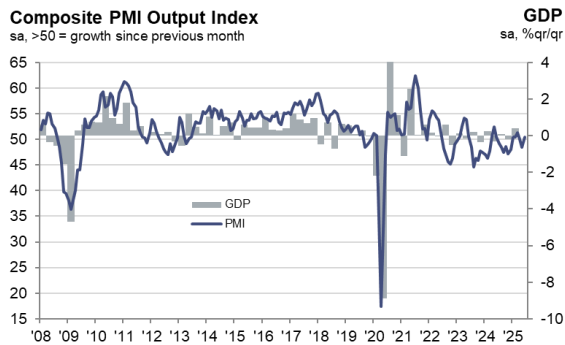
## German business activity ticks up slightly in June

Following its first sub-50 reading for five months in May (48.5), the HCOB Germany Composite\* PMI Output Index signalled a return to growth in private sector activity in June. That said, at 50.4, the latest reading showed only a marginal rate of expansion as an increase in manufacturing production was partly offset by a decline in services activity.

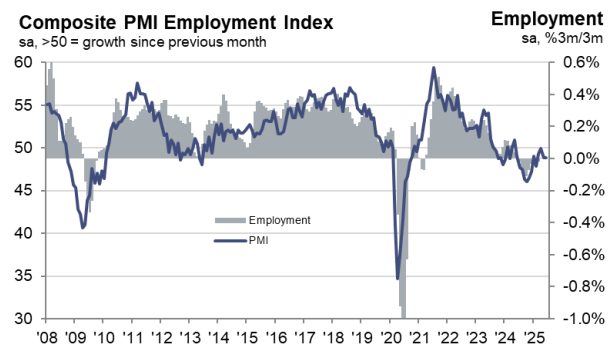
New orders meanwhile rose for the first time in over a year, albeit marginally, buoyed by stronger demand for manufactured goods. Furthermore, firms grew increasingly optimistic about the year-ahead outlook, with confidence improving in both monitored sectors.

Still, employment continued falling, in line with the trend seen in each month since June last year. A broad-based decrease in backlogs of work pointed to a lack of pressure on operating capacity.

Turning to prices, latest data showed inflationary pressures continuing to ease. Both input costs and average prices charged for goods and services rose at the slowest rate since October last year.



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



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## Note to Editors

The HCOB Germany Services PMI<sup>®</sup> 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.

Flash services data were calculated from 76% of final responses. Flash composite data were calculated from 75% 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).

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

### 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.

The bank's specialists are as experienced as they are pragmatic. They act in a reliable manner and at eye level with their customers. They provide in-depth advice in order to jointly find efficient solutions that are a perfect fit – for complex projects in particular. Tailor-made financing, a high level of structuring and syndication expertise and many years of experience are just as much a hallmark of the bank as are our profound market and sector expertise.

### S&P Global (NYSE: SPGI)

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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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### 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. [www.spglobal.com/marketintelligence/en/mi/products/pmi.html](http://www.spglobal.com/marketintelligence/en/mi/products/pmi.html).

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