

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

German private sector slips back into contraction as tariff concerns dent confidence

Key findings:

HCOB Flash Germany Composite PMI Output Index⁽¹⁾ at 49.7 (Mar: 51.3). 4-month low.

HCOB Flash Germany Services PMI Business Activity Index⁽²⁾ at 48.8 (Mar: 50.9). 14-month low.

HCOB Flash Germany Manufacturing PMI Output Index⁽⁴⁾ at 51.6 (Mar: 52.1). 2-month low.

HCOB Flash Germany Manufacturing PMI⁽³⁾ at 48.0 (Mar: 48.3). 2-month low.

Data were collected 9-22 April

Germany's private sector slipped back into contraction in April, according to the latest HCOB 'flash' PMI[®] survey, as tariff concerns and uncertainty weighed on business confidence and demand. Firms' growth expectations sank to their lowest in six months and the labour market remained under pressure, albeit with employment falling only fractionally and at the slowest pace in almost a year.

Elsewhere, latest data showed a first rise in manufacturing output prices in almost two years, which in turn led to a slight uptick in the rate of inflation in average charges for goods and services. Manufacturing input prices, on the other hand, posted a sharp and accelerated decline, contrasting with still-strong cost inflation in the service sector.

The **HCOB Flash Germany Composite PMI Output Index** moved below the 50.0 no-change threshold for the first time in four months in April. However, at 49.7, down from 51.3 in March, it signalled only a marginal rate of contraction. The renewed downturn was driven by the service sector, which saw business activity fall for the first time since last November and at the quickest rate since February 2024 (index at 48.8). Manufacturing production rose for the second month running, although the rate of growth was only modest and eased since March (index at 51.6).

It was a similar picture for **new business**, with lower intakes of new work in the service sector contrasting with slight growth in manufacturing new orders. Service providers commented on the influence of concerns over tariffs and related uncertainty, with some clients reportedly delaying decision-making and reining in spending amid worries about the economic and political outlook. Goods producers meanwhile noted a second straight monthly rise in new orders, supported by a first increase in export sales in over three years. The respective rates of growth were fractional, however, and there was evidence from panellists of the increases being partly driven by the frontloading of orders and related stockbuilding.

April saw a substantial reduction in **business confidence** across the eurozone's largest economy to its lowest for six months. Both manufacturers and services firms revised down their growth expectations for the coming year, with the latter seeing sentiment deteriorate particularly sharply to the weakest since September 2023.

The decline in German private sector **employment** extended to an eleventh straight month in April. That said, workforce numbers fell only marginally and at the weakest rate in this sequence. Further retrenchment in the manufacturing sector, where staffing levels fell solidly, albeit at the slowest pace for ten months, contrasted with sustained job creation in the service sector. The rise in services employment was in fact the quickest since May last year.

There was a further broad-based reduction in **backlogs of work** at the start of the second quarter, in a sign of a general lack of pressure on business capacity across the German private sector. The pace of depletion remained marked by historical standards, although it eased to the weakest for 11 months.

Turning to prices, latest data showed a slight uptick in the rate of inflation in average **prices charged** for goods and services. The acceleration from March's four-month low was driven by a first – albeit marginal – increase in factory gate charges in almost two years. Services firms continued to display the stronger pricing power, although the latest increase in services output charges was the weakest since last October.

Manufacturers raised charges despite reporting a steep and accelerated reduction in **input costs** in April. Lower commodity prices, including oil and metals, competitive pressures among suppliers, and a stronger euro were all highlighted as factors leading to lower purchase prices. Services firms, on the other hand, recorded a sharp and slightly quicker increase in operating expenses. Nevertheless, the rate of input cost inflation across the two sectors combined eased to a five-month low.

Comment

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

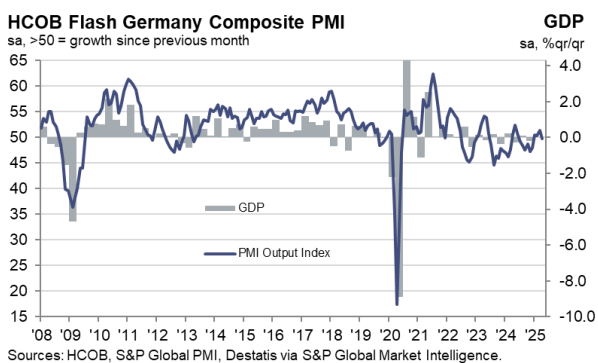
“You could say Germany's export-driven growth model is facing some serious challenges, but the US tariff policy has not caused a major slump in manufacturing just yet. In fact, manufacturers have managed to increase production for the second month in a row and even saw a slight uptick in export orders, something we have not seen since early 2022. This is pretty impressive and might be due to hopes of reaching some compromises with the US, along with Germany's well-diversified export destinations - 90% of exports go to countries other than the US. Of course, there is still a lot of uncertainty, and optimism about future output has taken a bit of a hit.

“Profit margins for manufacturers could improve. Input prices have dropped significantly thanks in part to lower energy costs, and companies have been able to raise their selling prices a bit for the first time since May 2023. This could be a sign of resilience, possibly because many manufacturing companies are producing dual-use goods or can switch to making military-use products. With the new government likely to ramp up defence spending, many companies are starting to think along these lines.

“Things are not going smoothly for service providers. Activity is down, and optimism about future business has taken a hit. Still, the continued growth in employment and some signs of stabilization in new business show that companies are far from throwing in the towel. With the expected expansionary fiscal policy, service providers should be able to benefit from this development.

“Costs in the service sector have risen faster than in the previous month, dashing hopes that wage increases are slowing and feeding less into input costs. Combined with slower inflation of selling prices, this means profit margins in the services sector are taking a hit.”

-Ends-



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Note to Editors

Final April data are published on 2 May for manufacturing and 6 May 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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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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