

NEWS RELEASE  
MARKET SENSITIVE INFORMATION  
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# HCOB Flash Germany PMI<sup>®</sup>

## German economy ends 2024 in contraction territory

### Key findings:

HCOB Flash Germany Composite PMI Output Index<sup>(1)</sup> at 47.8 (Nov: 47.2). 2-month high.

HCOB Flash Germany Services PMI Business Activity Index<sup>(2)</sup> at 51.0 (Nov: 49.3). 2-month high.

HCOB Flash Germany Manufacturing PMI Output Index<sup>(4)</sup> at 41.7 (Nov: 43.1). 3-month low.

HCOB Flash Germany Manufacturing PMI<sup>(3)</sup> at 42.5 (Nov: 43.0). 3-month low.

Data were collected 5-12 December

Business activity fell for the sixth month running across Germany's private sector in December, albeit with the rate of contraction losing some momentum thanks to a slight rebound in services activity, according to the latest HCOB 'flash' PMI<sup>®</sup> survey. Manufacturing remained in a deep recession and saw further substantial job losses. Business confidence towards year-ahead growth prospects meanwhile improved slightly but was still subdued by historical standards.

Alongside the weakness in business activity there was an increase in price pressures, with the rates of inflation in input costs and output prices accelerating to their highest for eight and ten months, respectively.

The **HCOB Flash Germany Composite PMI Output Index** came in at 47.8 in December, up from November's nine-month low of 47.2 but still comfortably below the 50.0 threshold that separates growth from contraction. Services business activity ticked up slightly (index at 51.0), after having decreased for the first time in nine months midway through the fourth quarter. However, this failed to compensate for a steep and accelerated decline in manufacturing production across the eurozone's largest economy (index at three-month low of 41.7).

The survey data continued to point to broad-based weakness in underlying demand. Inflows of **new business** showed the steepest fall since September as rates of decline quickened in both monitored sectors. The downturn was particularly stark in manufacturing, where new orders posted the sharpest drop in three months amid reports of client hesitancy, strong competition for new work and lower demand from abroad.

In a sign of a lack of pressure on business capacity, December saw another notable decrease in **backlogs of work** as firms were able to process and complete new orders far more quickly than they were being received. The decline in outstanding business was once again led by the goods-producing sector, which in turn saw another substantial round of staff retrenchment as manufacturers looked to scale back operating capacity. The pace of factory job losses did however ease slightly to the weakest for four months. Services **employment** also fell, albeit only marginally, to extend the current sequence of contraction in combined workforce numbers to seven months.

Reports of layoffs and hiring freezes tallied with an uncertain **business outlook**. Although expectations for output in the coming year ticked up further from September's recent low, they remained weaker than the long-run average as firms voiced concerns about political uncertainty, a sluggish economy and troubles in the automotive sector. Sentiment was particularly subdued in manufacturing.

Turning to prices, December saw a further pick-up in inflationary pressures. **Input costs** rose at the fastest rate since April, reflecting the combination of a steeper rise in services operating expenses and a slower fall in manufacturing purchase prices. It was a similar story for average **prices charged**, which posted the most marked increase since February, driven by a sharp and accelerated rate of service sector output price inflation.

## Comment

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

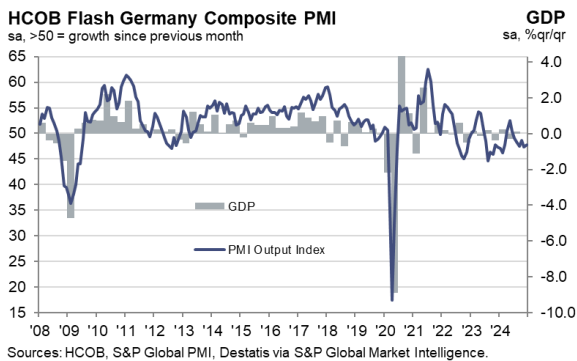
*"It looks like the German services sector is setting up for a better-than-expected Christmas season. The business activity index bounced back into growth territory after dipping below 50 in November. Businesses also managed to hike their selling prices a bit more than the previous month. This improvement in services is a good counterbalance to the quicker decline in manufacturing output, giving some hope that GDP might not have shrunk in the last quarter of the year."*

*"The manufacturing sector did not exactly deliver any holiday cheer. Output dropped much faster than in the previous two months, and new orders fell at one of the quickest rates all year. This is certainly no big shock, given all the negative news about companies planning restructurings."*

*"What is really catching the eye is the trend in prices in the services sector. Input price inflation shot up significantly in December, hitting the highest since April. Normally, in a stagnating economy, you would expect disinflationary forces. The fact that this is not happening suggests that old economic rules like "slower growth means slower inflation" might not apply at the moment. Employees are still securing relatively high wage increases – negotiated wages grew by 8.8% in the third quarter according to the Bundesbank. A chunk of this has been passed on to customers, with the output price index rising for the second month in a row."*

*"It is still a bit unclear whether the services sector is in a slow-motion downturn or on the brink of stabilization leading to recovery. Services employment has been cautiously cut since July, and new business has been shrinking slowly since September. If this trend continues, a recession in this sector seems likely. However, with real wages rising, people's spending power has increased, which should boost consumption and is especially good for the services sector. We are inclined to expect a recovery in the German services sector, buoyed by improved sentiment over future activity and the upcoming snap elections in February, which should bring more political clarity."*

-Ends-



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**Note to Editors**

Final December data are published on 2 January for manufacturing and 6 January 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

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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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