

# News Release

Embargoed until 0955 CEST (0755 UTC) 4th May 2022

## S&P Global Germany Services PMI®

### Services activity continues to recover strongly despite record prices rises across the sector

#### Key findings

Business Activity Index improves to eight-month high of 57.6

Loosened COVID restrictions sees demand for services rebound

Rates of input cost and output price inflation spike to new highs

Activity levels across the German service sector continued to recover strongly during April thanks to a sustained upturn in demand brought about by the easing of the country's COVID restrictions, latest PMI® data showed.

Less positively, inflationary pressures intensified once more, with businesses hiking prices charged to the greatest extent on record as they faced an unprecedented increase in costs.

The seasonally adjusted headline S&P Global Germany Services PMI® Business Activity Index climbed to 57.6 in April, up from March's 56.1 and its highest since August last year. The result pointed to a strong rate of growth as many businesses saw demand pick up and customers return following the relaxation of most pandemic restrictions.

The improvement in underlying demand was further evidenced by a rise in new business across the sector, the fourth in as many months and the strongest since last August. The upturn was driven by the domestic market, with April seeing inflows of new work from abroad falling at a solid rate that was unchanged from the previous survey period. Panel members reported that the war in Ukraine and lockdowns in China has dampened international demand.

April's survey indicated a sustained build-up of outstanding business across the German service sector. This reflected not only higher inflows of new work, but also constraints on activity linked to supply issues and high rates of COVID-related staff absences, anecdotal evidence showed. The rise in backlogs was more marked than that seen in the previous survey period.

Services firms continued to expand capacity by taking on additional staff during April. Employment in the sector has now risen in each of the past 22 months. The pace of job creation slowed to the weakest in 2022 so far and was well below the highs observed in 2021, although it remained robust by historical standards.

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



Source: S&P Global.  
Data were collected 11-26 April 2022.

#### Comment

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

*"The service sector is providing a much-needed boost to the German economy at a time when manufacturing is starting falter under pressure from renewed supply chain disruption and cooling demand for goods.*

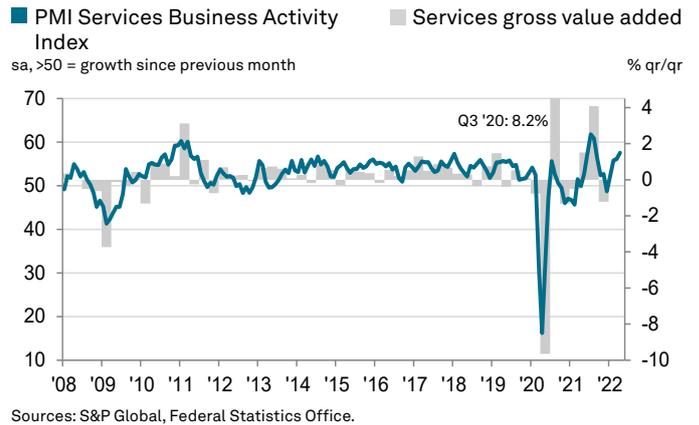
*"The service sector has carried strong momentum into the second quarter of the year as we continue to see a boost in demand for services that were previously subject to pandemic-related restrictions. The current pace of growth looks unsustainable, however, especially when factoring in a potential drag from manufacturing and a squeeze on real incomes from ever-rising prices. Indeed, service providers' growth expectations for the year ahead are generally subdued, with the exception of consumer and transport services.*

*"While services is generally less exposed to the external headwinds currently impacting manufacturing, inflationary pressures are seeping through, with rates of increase in both input costs and output prices having soared to levels that far exceed anything we've seen in the history of the survey."*

Rising wage bills were one of many sources of cost pressure facing service providers at the start of the second quarter, alongside soaring energy, transportation and raw material prices. The overall rate at which firms' operating expenses increased accelerated sharply and climbed to a new record high for the second consecutive month.

April saw German service providers increasingly passing on higher input costs to customers through rises in prices charged. The extent to which average output prices increased was unprecedented in almost 25 years of data collection, far exceeding the previous record set the month before.

Business confidence across Germany's service sector fell again in April, extending the decline observed in March and leaving expectations at their lowest overall since October 2020. Concerns around sharply rising prices, supply disruptions and the heightened economic uncertainty associated with the war in Ukraine all served to dampen business sentiment.



## S&P Global Germany Composite PMI®

### Recovering service sector offsets manufacturing downturn in April

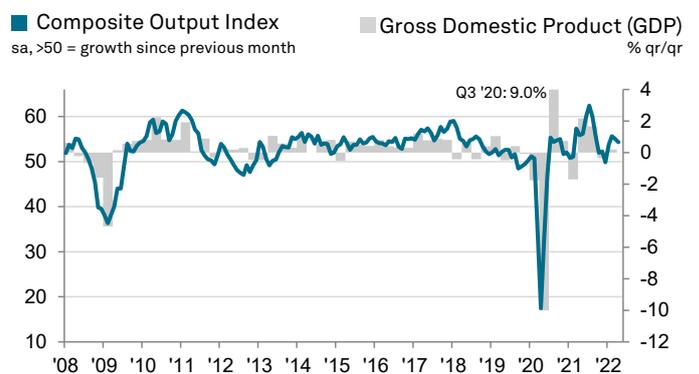
The S&P Global Germany Composite PMI Output Index\* registered 54.3 in April, down from 55.1 in March but still above the 50.0 threshold that separates growth from contraction.

There was a growing divergence at the sector level, with a sustained recovery in services activity contrasting with a downturn in manufacturing production.

Similarly, while sales of goods fell during the month, this was offset by a sustained recovery in demand for services.

Both sectors recorded a rise in employment, as well as increases in price pressures. Overall rates of both input cost and output price inflation spiked to new record highs.

There was a general decline in business confidence towards future activity. However, while manufacturers' expectations turned increasingly negative, services firms remained cautiously optimistic.

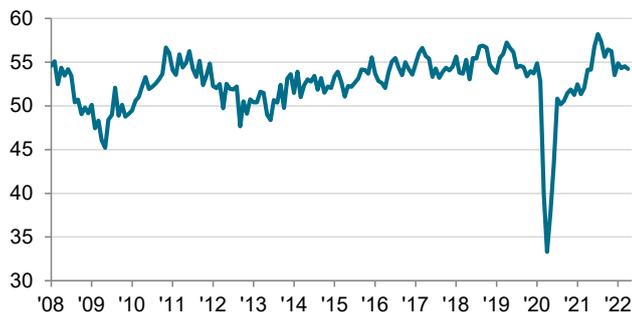


Sources: S&P Global, Federal Statistical Office.

\*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](mailto:economics@ihsmarkit.com).

Flash vs. final data

Flash services data were calculated from 78% of final responses. Flash composite data were calculated from 86% 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](https://www.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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