

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit/BME Germany Manufacturing PMI[®] – final data

PMI rises amid faster output and new order growth

Key findings:

- July PMI signals sharp improvement in operating conditions
- Output growth accelerates to three-month high
- Input price inflation weakest since April, but marked overall

Data collected July 12-24

The German manufacturing sector regained growth momentum in July, with the headline PMI rising from June's 18-month low. Rates of output and new order growth accelerated from recent lows in June, although increases did not recover to the respective paces seen at the start of the year. Consequently, the rate of job creation remained steep and purchasing activity rose at a faster pace.

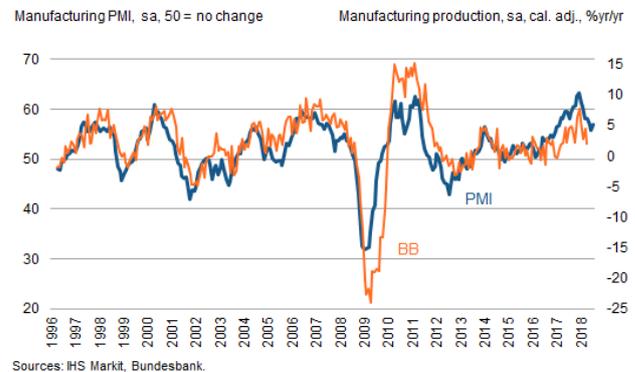
Meanwhile, the rate of input cost inflation softened slightly to a three-month low but remained marked overall. On a positive note, output expectations improved and were the strongest since April.

The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – posted 56.9 in July, up from 55.9 in June. The start of the third quarter indicated a sharp improvement in operating conditions, with manufacturing growth regaining momentum.

The pick-up in overall manufacturing growth was aided by a stronger rise in output levels, the fastest for three months. Alongside greater domestic and foreign client demand, panellists stated that efforts to clear backlogs drove a quicker upturn. All three monitored sectors reported a rise in production levels, led by those in the investment goods category.

The upturn in new business accelerated from June's recent low, reportedly driven by stronger client demand and greater new order volumes.

IHS Markit / BME Germany Manufacturing PMI



Although the pace of expansion did not recover to the rates seen at the start of the year, it was solid overall and faster than the long-run series trend. Exporting manufacturers also signalled the quickest rise in new business from abroad since April.

Employment growth continued to expand sharply in July, with the rate of job creation dipping only slightly from that seen in June. Panellists commonly attributed job creation to efforts to bolster production capacities. Despite a faster rise in new orders, backlog growth eased slightly to the weakest in two years.

On the price front, input cost inflation remained marked, with manufacturers reporting further rises in raw material prices. Some respondents highlighted steel costs and environmental regulations in China as key factors behind greater cost burdens. Amid robust demand conditions, firms were able to partly pass higher costs on to clients through increased charges. The rate of inflation was sharp, accelerating from June's eight-month low.

Meanwhile, purchasing activity increased at a solid and faster rate, in line with greater production requirements. A number of survey respondents reported greater efforts to stockpile amid ongoing

supply shortages and a marked lengthening in lead times.

German manufacturers indicated a stronger degree of optimism in July, with the level of positive sentiment reaching a three-month high. Optimism stemmed from anticipations of further new order growth. However, some raised concerns regarding uncertainties surrounding tariffs.

Comment

Commenting on the final IHS Markit/BME Germany Manufacturing PMI[®] survey data, **Sian Jones**, Economist at IHS Markit said:

“The beginning of the second half of the year brought a faster rise in manufacturing growth among German manufacturers. Following a dip in overall performance in June, the upturn in output and new orders strengthened. That said, the increase in production continued to outpace that of new orders as firms expanded their efforts to clear backlogs.”

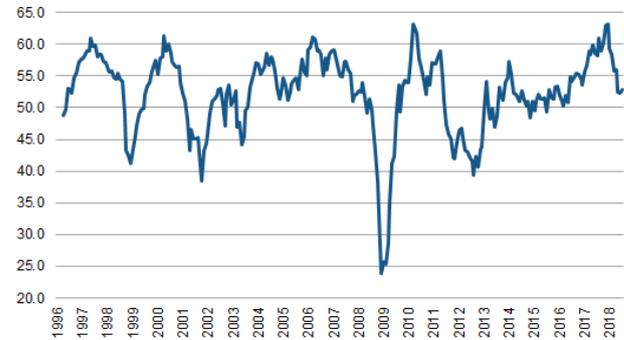
“Although slightly weaker than June, employment growth continued to grow sharply, with greater production requirements a key factor behind sustained job creation. Panellists also reported stronger optimism towards future output growth, the most robust since April.”

“Concerns were raised however, with some respondents noting uncertainty surrounding tariffs and further marked rises in input costs as risks to future growth. In turn, pressure on supply chains remained significant as firms continued to comment on bottlenecks at suppliers.”

-Ends-

New Export Orders Index

New Export Orders Index, sa, 50 = no change



Source: IHS Markit.

Employment Index

Employment Index, sa, 50 = no change



Source: IHS Markit.

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Note to Editors:

The Germany Manufacturing PMI[®] (Purchasing Managers' Index[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the German manufacturing sector.

The final Germany Manufacturing PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 85% of total PMI survey responses each month. The July flash was based on 95% of the replies used in the final 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
Germany Manufacturing PMI ¹	0.0	0.3

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.

IHS Markit 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 IHS Markit. Please contact economics@ihsmarkit.com.

Notes

1. 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.

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