

Embargoed until 0955 CEST (0755 UTC) 4 May 2020

IHS MARKIT / BME GERMANY MANUFACTURING PMI®

April sees unprecedented fall in manufacturing output amid efforts to contain virus outbreak

KEY FINDINGS

COVID-19 lockdown leads to record decreases in output and new orders

Deepest factory staff cuts since May 2009

Fears of long-lasting disruption weigh on business confidence

Data were collected 7-23 April 2020.

The COVID-19 pandemic and resulting global virus containment measures led to a record contraction in German manufacturing output in April, latest PMI® data from IHS Markit and BME showed. A collapse in demand and bleak outlook for the coming year meanwhile resulted in the deepest cuts to factory job numbers for almost 11 years, despite widespread uptake of the short-time work scheme.

The headline IHS Markit/BME Germany Manufacturing PMI dropped sharply from 45.4 in March to 34.5. Though the lowest since March 2009, this compared with a reading of 19.7 for the survey's Output Index. The decline in the headline index was softened by a record lengthening of supplier delivery times and rise in stocks of purchases – both linked to supply-chain disruption caused by the coronavirus outbreak, and both contrary to trends usually associated with a downturn.

The decline in output was once again led by the investment goods category, followed by intermediate goods. After having remained little-changed during March, production across the consumer goods category also fell sharply, dropping to the greatest extent on record.

April saw a dramatic fall in new work received by Germany manufacturers, with the rate of decline even faster than at the depths of the financial crisis in late-2008. Customer closures, supply disruption and uncertainty leading to order cancellations or postponements all contributed the drop in new business volumes. Exports sales fell even faster than overall new orders, reflecting particularly weak demand

Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit

from Italy, France, Spain and the US.

The pace of staff cuts across the manufacturing sector gathered pace in April, reaching the quickest seen since May 2009. Alongside reports of redundancies, reduced contractor numbers and natural wastage, there were also frequent mentions of the use of short-time working to avoid job cuts.

Like employment, manufacturers' purchasing activity fell at the fastest rate since 2009. That said, the decline was notably slower than that of output amid efforts by numerous firms to build up safety stocks due to growing supply chain difficulties. The incidence of input delivery delays was the greatest seen in over two decades of data collection. The combination of precautionary inventory building, falling sales and transport disruption led to a record accumulation of finished goods stocks in April.

Lower demand for raw materials and semi-finished goods was reflected in a twelfth successive monthly fall in average purchase prices in April. The rate of decline eased, however, amid reports of higher prices paid for items in short supply (primarily cleaning products and related chemicals). Strong competition for new work meanwhile saw prices charged by manufacturers continue to fall at one of the fastest rates seen over the past ten-and-a-half years.

Manufacturers' expectations for output over the coming year remained close to March's series record low (since July 2012). Most firms were pessimistic (62%), often citing concerns about long-lasting effects on demand and supply from the virus outbreak.

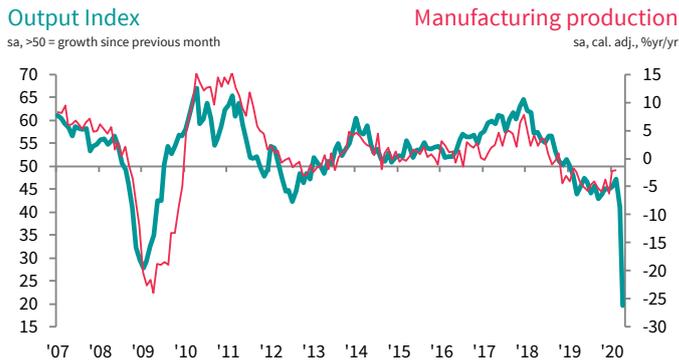
COMMENT

Phil Smith, Principal Economist at IHS Markit, which compiles the Germany Manufacturing PMI survey, commented:

"The fall in manufacturing production in March now pales in comparison to the unprecedented drop seen in April following a full month of virus containment measures at home and abroad. Output nosedived as large numbers of manufacturers either temporarily closed factories or cut working hours amid a collapse in export demand across Europe and the US, and mounting supply chain challenges.

"Even as more manufacturers start to come back on stream, there are still some huge question marks, like what kind of demand conditions are they returning to, and for how long will supply chains be impacted. The data show that manufacturers expect disruption to supply and demand to continue deep into 2020 at the very least, making the chances of a V-shaped recovery unlikely.

"Given such a challenging outlook, job cuts have continued to gather pace despite the widespread uptake of the short-time working scheme, thus raising the chances of a more protracted recovery."



Sources: IHS Markit, Bundesbank.

CONTACT

IHS Markit

Phil Smith
Principal Economist
T: +44-1491-461-009
phil.smith@ihsmarkit.com

Katherine Smith
Public Relations
T: +1-7813-019-311
katherine.smith@ihsmarkit.com

Methodology

The IHS Markit / BME Germany Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

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 Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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.

April data were collected 7-23 April 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

BME

BME is the German Association for Materials Management, Purchasing and Logistics, founded in 1954. It provides services for around 9000 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME promotes a dialogue between business 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.).

Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME), Frankfurter Str. 27, 65760 Eschborn

Frank Rösch E-Mail: frank.roesch@bme.de Internet: www.bme.de