

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Germany PMI<sup>®</sup>

### PMI shows German economy under increased strain as manufacturing posts worst performance in seven years

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 51.4 (Jun: 52.6). 4-month low.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 55.4 (Jun: 55.8). 2-month low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 43.1 (Jun: 45.0). 84-month low.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 44.1 (Jun: 46.7). 4-month low.

Data collected 12-23 July

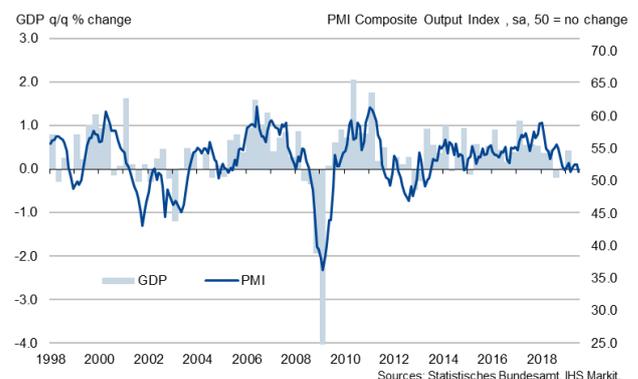
Growth of German business activity slowed in July as the country's manufacturers recorded their worst monthly performance in seven years, according to the latest flash PMI<sup>®</sup> data from IHS Markit. The **IHS Markit Flash Germany Composite Output Index** – which is based on approximately 85% of usual monthly replies – fell to 51.4 in July. This was down from 52.6 in June and its joint-lowest reading in over six years.

Job creation meanwhile slowed to its weakest since April 2015 as firms reported an accelerated rate of reduction in backlogs and lower confidence towards future output.

Manufacturing output fell sharply in July, registering its steepest drop since March and one of the most marked contractions since 2009. With new orders, employment and stocks of purchases also falling more quickly, the headline **IHS Markit Flash Germany Manufacturing PMI** registered a seven-year low of 43.1, down from 45.0 in June.

However, latest data continued to show resilience in the service sector, which saw a further marked increase in business activity during the month, supported by firm domestic demand.

#### IHS Markit Germany Flash PMI



After rising in June, overall inflows of **new business** returned to contraction at the start of the third quarter, falling for the fifth time in the past seven months. The main drag was from manufacturing order books, which fell at the fastest rate since April amid reports of lower export sales (in particular to China) and weakness in the automotive sector. July's decrease in factory export orders was in fact the sharpest seen in over a decade. With services firms also reporting reduced inflows of new orders from abroad, **total new export business** was down for an eleventh straight month in July.

The lack of incoming new work was reflected in a further decrease in **outstanding business** across Germany's private sector. Backlogs fell in manufacturing at the fastest rate since June 2009 and barely rose across the service sector, resulting in the quickest overall decline in more than six years.

The pace of job creation across Germany slowed sharply in July, showing the weakest rise in overall **employment** since April 2015. There was variation at the sector level, however, with a further marked rise in service sector payroll numbers contrasting

with a sharp and accelerated reduction in manufacturing jobs – the steepest seen for seven years.

Confidence among manufacturers towards future output sank sharply in July, down to its lowest since late-2012 due in part to increased concerns towards the outlook for the car industry. Service providers meanwhile expressed their weakest optimism since December 2014, meaning that **overall business confidence** was at its lowest in more than four-and-a-half years.

On the cost front, latest data showed **input price inflation** easing to a near three-year low, weighed down by a steep and accelerated reduction in prices paid by manufacturers for raw materials and parts. Cost pressures in the service sector meanwhile remained elevated.

Average **output prices** also rose more slowly in July, with the rate of inflation the weakest seen since November 2016. While charges levied by service providers increased a solid rate that was unchanged since June, manufacturers reported the first drop in factory gate prices in almost three years amid reports of strong competition.

## Comment

Commenting on the flash PMI data, **Phil Smith**, Principal Economist at IHS Markit said:

*“The health of German manufacturing went from bad to worse in July, according to the flash PMI data, raising the risk of the euro area’s largest member state entering a mild technical recession.*

*“The performance from Germany’s goods producers in July is the worst recorded by the survey in seven years, with the renewed weakness mainly stemming from an accelerated drop in export orders – the most marked seen in over a decade.*

*“Still solid growth in the service sector means that the German economy is just about keeping its head above water for now, but even here there are signs of increased worries among companies as optimism hit a three-and-a-half year low.*

*“In a further sign of the slowdown in new orders and gloomier outlook affecting firms’ hiring decisions, July’s flash data showed employment rising at the slowest rate for over four years, with factory job losses accelerating.”*

-Ends-

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**Note to Editors:**

Final June data are published on 1 August for manufacturing and 5 August for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by IHS Markit 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
Germany Composite Output Index <sup>1</sup>	0.0	0.4
Germany Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.3
Germany Services Business Activity Index <sup>2</sup>	-0.1	0.6

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto:economics@ihsmarkit.com).

**Notes**

1. The Composite Output *PMI* 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?"

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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.

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Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) 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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

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