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## IHS MARKIT GERMANY SERVICES PMI®

INCLUDING IHS MARKIT GERMANY COMPOSITE PMI®

### Service sector recovery accelerates at end of Q2 as economy continues to reopen

#### KEY FINDINGS

Business Activity Index highest since March 2011

Marked improvement in expectations supports faster rate of job creation

Record increases in input cost and prices charged

Data were collected 11-25 June 2021.

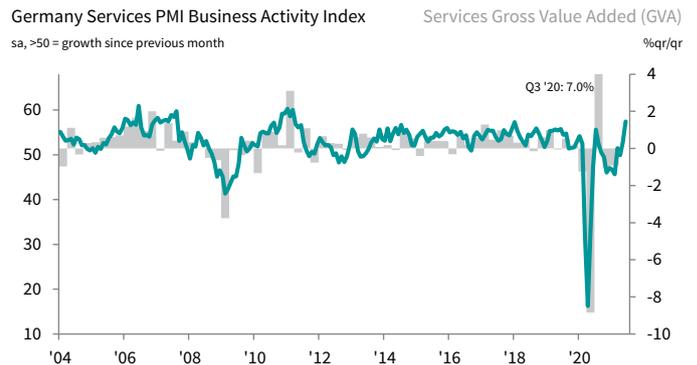
The recovery in business activity across Germany's service sector gathered pace in June amid the further easing of virus containment measures, latest PMI® data showed. Firms reported a sharp increase in new business and also a marked improvement in expectations for the year ahead, both of which helped drive a pick-up in job creation.

The upturn in activity coincided with a further increase in inflationary pressures, with the survey showing a record rise in average prices charged by services firms as costs in the sector continued to soar.

June saw the headline seasonally adjusted Business Activity Index – which is based on responses to a single question asking about changes in the volume of business activity compared with one month previously – rise sharply from May's 52.8 to 57.5, its highest since March 2011.

All monitored sub-sectors recorded higher activity, which was widely linked by surveyed companies to the relaxation of COVID-19 containment measures and steps towards more normal demand conditions.

Inflows of new business rose for the second month running and at the quickest rate for more than a decade. The upturn was supported by a return to growth of new export orders as firms commented on recovering levels of travel activity.



Note: Services GVA data include retail, which is not included in the PMI.  
Sources: IHS Markit, Eurostat.

Higher backlogs of work were recorded for a third straight month in June, with firms noting the influence of raw material shortages and insufficient staffing capacity to meet demand. Accordingly, June saw service companies up the rate of job creation to the quickest since April 2019.

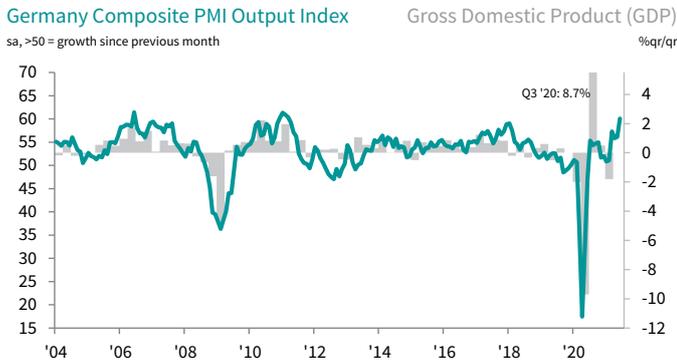
Latest data showed a notable improvement in service providers' expectations towards activity over the next 12 months. The overall degree of optimism was the highest since February 2000, with around 46% of firms expecting a rise in activity against only 10% anticipating a decline. Anecdotal evidence suggested growing hopes of an end to the pandemic and related restrictions, aided by progress in the rollout of vaccines.

Less positively, however, June saw a sharp acceleration in the rate of input cost inflation faced by service firms to the quickest in the series history since 1997. There were widespread reports of increases in the cost of materials and personnel.

Greater cost pressures translated into a faster rise in service providers' output prices, which likewise displayed a record rate of inflation. Still, around half as many firms recorded an increase in charges as those that noted a rise in input prices.

## IHS MARKIT GERMANY COMPOSITE PMI®

## Private sector recovery picks up speed, but costs soar



Sources: IHS Markit, Federal Statistical Office.

Boosted by stronger growth in both manufacturing production and services business activity, the Germany Composite Output Index rose from May's 56.2 to a decade-high of 60.1 in June, signalling a pick-up in the pace of recovery of the Germany private sector as the second quarter came to a close.

Inflows of new business likewise rose more quickly across both monitored sectors in June, with services closing the gap in terms of overall growth. The upturn continued to be supported by rising inflows of new business from abroad.

With outstanding business accumulating at a faster rate in June, the recovery in private sector employment also gathered pace. Payroll numbers showed the joint-steepest rise in since comparable data were first available in 1998.

Expectations towards activity over the next 12 months also reached a series-record high in June (although the history for this series extends only back to 2012). Goods producers reported a higher degree of optimism than service providers, but the differential narrowed.

Latest data showed unprecedented increases in both input costs and output charges in June. Price pressures were stronger overall in manufacturing, although it was in services where the data pointed to the greater monthly accelerations in the rates of inflation.

\*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. The Germany Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

### COMMENT

Commenting on the PMI data, Phil Smith, Economics Associate Director at IHS Markit said:

*"The further easing of COVID restrictions in June saw the recovery in service sector business activity gain considerable momentum. Customer-facing services business enjoyed a revival in activity, but there were positive trends across the board as rising confidence among businesses and consumers alike helped spur a general pick-up in demand."*

*"The surge in services activity in June was accompanied by a stronger expansion in manufacturing production, which puts the economy on course for a solid growth outturn in the second quarter and potentially an even better performance in the third quarter."*

*"However, alongside a strong rebound in demand we're seeing costs continuing to soar, with the two factors combining to drive a rise in prices charged by services firms that's unprecedented in more than two decades of data collection."*

## CONTACT

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### Methodology

The IHS Markit Germany Services PMI® is compiled by IHS Markit 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.

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.

June data were collected 11-25 June 2021.

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 87% of final responses. Flash composite data were calculated from 91% 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).

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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.

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