News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) 23 September 2019

IHS Markit Flash Germany PMI®

German Composite PMI sinks to lowest since October 2012

Key findings:

- Flash Germany PMI Composite Output Index(1) at 49.1 (Aug: 51.7). 83-month low.
- Flash Germany Services PMI Activity Index(2) at 52.5 (Aug: 54.8). 9-month low.
- Flash Germany Manufacturing PMI(3) at 41.4 (Aug: 43.5). 123-month low.
- Flash Germany Manufacturing Output Index(4) at 42.7 (Aug: 45.8). 86-month low.

Data collected September 12-20

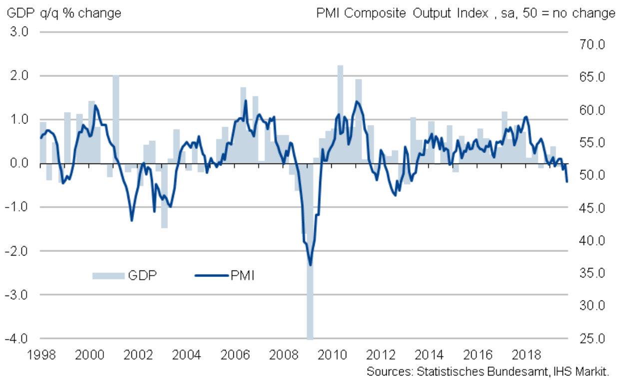
The German economy contracted in September, latest flash PMI data showed, as the downturn in manufacturing deepened and service sector growth lost momentum. Job creation meanwhile stalled as firms reported weakening demand and pessimism towards the outlook for activity.

The fall in output was accompanied by easing price pressures, with average charges for goods and services rising at the slowest rate for over three years.

The **IHS Markit Flash Germany Composite Output Index –** which is based on approximately 85% of usual monthly replies – registered 49.1 in September, down from 51.7 in August and its first reading below the 50 'no change' threshold since April 2013. The rate of decline signalled was the steepest in almost seven years.

Growth of **business activity** in the service sector slowed sharply since August to one of the weakest rates seen over the past three years. Manufacturing fared even worse, however, recording an eighth straight monthly decrease in **output** and the steepest rate of decline since July 2012.

IHS Markit Germany Flash PMI



September's **IHS Markit Flash Germany Manufacturing PMI** read 41.4, signalling the sharpest decline in business conditions across the goods-producing sector since the depths of the global financial crisis in mid-2009.

The survey showed a sustained decline in underlying demand, with **total inflows of new business** falling for the third month running and at the quickest rate for seven years. Slumping manufacturing orders led the decline, recording the steepest drop in more than a decade in September, though notably there was also a drop in service sector new business – the first recorded since December 2014.

According to anecdotal evidence, the story remained one of uncertainty and concerns about the economic outlook leading to client hesitancy and a reduced appetite for investment. The automotive sector was once again highlighted as a particular source of weakness. Lower demand from abroad also remained a key factor, with both manufacturers and service providers reporting notable decreases in **new export orders** during the month.

As has been the case since November last year, firms reported a decrease in their **backlogs of work** as they completed orders at a quicker rate than they received them. The reduction in September was again broad-based by sector and one of the sharpest recorded over the past seven years.

This sustained lack of pressure on business capacity was reflected in firms' hiring decisions in September, with data showing job creation across the private sector stalling after nearly six years of continuous **employment** growth. This broadly neutral picture masked contrasting trends at the sector level, however. Though easing to an eight-month low, job creation in the service sector remained quicker than the long-run average. In contrast, the pace of staff shedding at manufacturers accelerated to the quickest since January 2010.

Low **business confidence** was another factor weighing on recruitment activity in September. Firms' expectations towards the outlook for output over the next 12 months remained in negative territory, albeit ticking up slightly from August's 81-month low. Manufacturers remained especially downbeat, with sentiment remaining around the weakest recorded since this series began in July 2012.

Finally, latest data showed a further weakening of price pressures across the private sector. Average **charges** rose at the slowest rate since August 2016, reflecting a combination of weaker price increases in the service sector and a deepening decline in charges levied on goods. The differences at the sector level mirrored movements in underlying **costs**, which increased (albeit more slowly) for services firms but fell sharply again across manufacturing. Overall input price inflation was at a 41-month low.

Comment

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

"Another month, another set of gloomy PMI figures for Germany, this time showing the headline Composite Output Index at its lowest since October 2012 and firmly in contraction territory.

"The economy is limping towards the final quarter of the year and, on its current trajectory, might not see any growth before the end of 2019.

"The manufacturing numbers are simply awful. All the uncertainty around trade wars, the outlook for the car industry and Brexit are paralyzing order books, with September seeing the worst performance from the sector since the depths of the financial crisis in 2009.

"With job creation across Germany stalling, the domestic-oriented service sector has lost one of its main pillars of growth. A first fall in services new business for over four-and-a-half years provides evidence that demand across Germany is already starting to deteriorate."

-Ends-

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Note to Editors:

Final September data are published on 1 October for manufacturing and 3 October 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[1]	0.0	0.4
Germany Manufacturing *PMI*[3]	0.0	0.3
Germany Services Business Activity Index[2]	-0.1	0.6

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 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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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. To learn more go to https://ihsmarkit.com/products/pmi.html .