

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) 23 September 2021**

## IHS Markit Flash Germany PMI®

### Growth of German economy slows in September

**Key findings:**

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 55.3 (Aug: 60.0). 7-month low.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 56.0 (Aug: 60.8). 4-month low.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 53.8 (Aug: 58.5). 15-month low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 58.5 (Aug: 62.6). 8-month low.

Data collected September 13-22

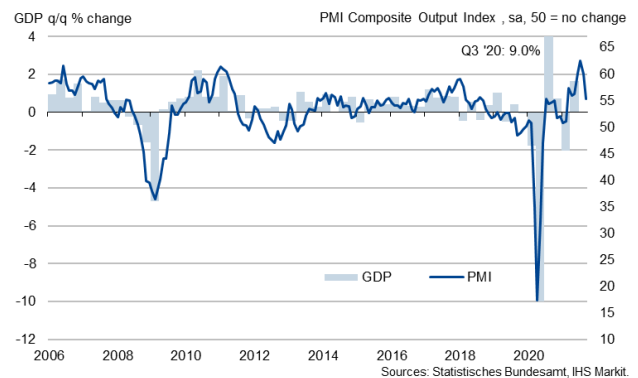
The rate of growth of the German economy slowed in September, latest flash PMI® data from IHS Markit showed. The survey indicated ongoing supply disruption to manufacturing production, while the service sector also lost momentum following its recent strong rebound.

Rates of inflation of both input prices and output charges retreated slightly further from their recent peaks, though they still remained among the quickest on record, reflecting continued pressure from energy, material and transportation costs. Concerns regarding supply chains and inflationary pressures in turn weighed on business confidence.

September saw the **headline Flash Germany PMI Composite Output Index** slip to 55.3, down from 60.0 in August and its lowest since February. Nevertheless, its average over the third quarter as a whole (59.2) was an improvement on the three months to June (57.4) and the highest overall for ten-and-a-half years.

Supply bottlenecks remained a major hindrance to the goods-producing sector's performance, with the survey's Manufacturing Output Index slumping to a 15-month low of 53.8 in September. Meanwhile, business activity in the service sector showed a

#### IHS Markit Flash Germany PMI



notably slower rate of growth (index at a four-month low of 56.0), following a sharp rebound from June to August as virus containment measures were eased over the summer.

The issues in supply chains were also reflected in manufacturing **new orders**. Whilst still growing solidly overall and continuing to outstrip the trend in output, factory order books showed the smallest rise in the current upturn stretching back to July last year. Anecdotal evidence highlighted lower demand from the automotive sector in particular owing to semiconductor shortages.

With services firms also noting a slowdown in September, the overall rate of **new business** growth eased to its weakest since April. It was a similar picture for inflows of new work from abroad, with **export business** growing at the slowest rate so far this year.

Ongoing imbalances between supply and demand continued to lead to a build-up of **backlogs of work** at German firms. Though easing further from July's record, the rate at which work-in-hand accumulated remained high by historical standards, led by a sharp increase in the manufacturing sector.

Efforts by businesses to bring capacity more in line with demand saw private sector **employment** rise for a ninth straight month in September. The rates of job creation seen in manufacturing and services were similarly solid. However, they eased in both cases for a second straight month, resulting in the smallest overall jobs gain since May.

Rising labour costs, coupled with increases in the price of energy, materials and transportation, led to a further steep rise in businesses' **operating expenses** during September. The rate of input cost inflation ticked down to a four-month low, reflecting slight slowdowns in both monitored sectors, though it was still quicker than at any time in the series history prior to June.

The rate of increase **average prices charged for good and services** likewise retreated slightly further from June's peak but was still among the fastest on record (since September 2002). Underlying data showed a slight divergence at the sector level, with factory gate price inflation ticking up while the rate of increase in services charges hit a four-month low.

Lastly, September's survey showed a slight easing of **business confidence** towards future activity, continuing the trend seen throughout the third quarter. Though still highly positive by historical standards, expectations were the lowest since December 2020. Optimism waned in both monitored sectors, amid reports of concerns over supply chains and rising prices.

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

*"September's flash PMI survey showed a notable slowdown in the rate of growth of the German economy, in a sign that activity is beginning to level off after rebounding sharply over the summer. However, despite the slowdown in September, the pace of economic growth in the third quarter still looks to have surpassed the 1.6% expansion seen in the three months to June."*

*"The survey pointed to a continued drag on growth from the manufacturing sector, which is bearing the brunt of supply shortages and rising costs. Coupled with this, services activity showed its smallest rise since May, as the post-lockdown surge in demand waned further."*

*"While business sentiment towards future activity remains positive, reflecting continued hopes of an end to the pandemic, growth expectations are being held back by supply-chain concerns and the risks posed to demand from rising prices."*

-Ends-

**For further information, please contact:**

**IHS Markit**

Phil Smith, Associate Director  
Telephone +44-1491-461-009  
Email: [phil.smith@ihsmarkit.com](mailto:phil.smith@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-207-260-2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Note to Editors:**

Final September data are published on 1 October for manufacturing and 5 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 <sup>1</sup>	0.0	0.4
Germany Manufacturing <i>PMI</i> <sup>2</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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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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