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## IHS MARKIT / BME GERMANY MANUFACTURING PMI®

### Manufacturing PMI climbs to five-month high but remains firmly in contraction territory

#### KEY FINDINGS

Headline PMI ticks up for second month running to 44.1

New orders fall at weakest rate since January

Expectations turn positive for first time in five months

The latest PMI® data from IHS Markit and BME showed a further contraction of Germany's manufacturing sector in November. However, though still marked, the latest declines in output, new orders and employment were shallower than in recent months, while manufacturers showed renewed optimism towards the year-ahead outlook for output.

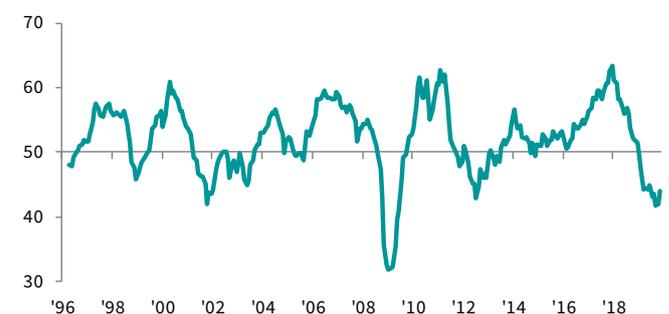
On the price front, the survey indicated sustained downward pressure on factory gate charges amid sharply falling input prices and reports of fierce competition for new work.

The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – rose to 44.1 in November, up from 42.1 in October (and above the preliminary flash estimate of 43.8). The latest reading was the highest since June, but still comfortably inside contraction territory.

Data showed easing rates of decline across all main industrial groupings: consumer, intermediate and investment. The worst-performing category remained the investment goods sector, which includes mechanical engineering and transport equipment.

Overall manufacturing output fell for the tenth consecutive month in November, which marked the longest sequence of decline since 2008-09. Though easing for the second month running, the rate of contraction remained solid and was broadly in line with the average recorded over the current downturn.

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit

Firms that scaled back production in November usually linked this to lower intakes of new orders and an associated drop in backlogs of work. Like the trend in output, the rate of decline in new orders remained marked by historical standards but eased for the second month running, showing the smallest reduction since January. This was also the case for new export orders.

Continuing this theme, latest data showed slower falls in buying levels and employment across the manufacturing sector in November. The rate of job cuts was the weakest for three months, though still among the fastest recorded over the past ten years.

In line with lower demand for inputs, November saw a further (albeit smaller) improvement in supplier delivery times and a drop in average purchase prices. The fall in input costs was the most marked since March 2016 and underpinned by reductions in the price of chemicals, metals (particularly steel) and plastics.

Strong competition for new work across the manufacturing sector was meanwhile reflected in a fifth straight monthly decrease in average factory gate charges. Easing only slightly from October's recent record, the rate of decline remained close to the fastest since 2009.

Lastly, data showed a further recovery of manufacturers' output expectations from a series record-low in August. Sentiment was in positive territory for the first time since June, though still subdued by historical standards.

COMMENT

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

*"The manufacturing sector has taken a small step in the right direction with the PMI moving to a five-month high in November, but remains some way even from stabilisation, let alone a resumption in growth."*

*"There are encouraging signs from the survey's more forward-looking indicators, with new orders falling at the slowest rate since January and output expectations back in positive territory – albeit only just."*

*"Though now less worried about the outlook, manufacturers remain in retrenchment mode as they report lower capacity utilisation and look to save costs. Manufacturing is course to make a negative contribution to economic growth in the fourth quarter and, through ongoing factory job losses, remains an indirect drag on the rest of the economy as well."*

Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, cal. adj., %y/yr



Sources: IHS Markit, Bundesbank.

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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.

November 2019 data were collected 12-22 November 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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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.).

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