

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Germany PMI[®]

German business activity rises at fastest rate since February

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 55.7 (55.0 in Jul). 6-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 55.2 (54.1 in Jul). 6-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 56.1 (56.9 in Jul). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 56.7 (56.7 in Jul). Unchanged.

Data collected August 13-22

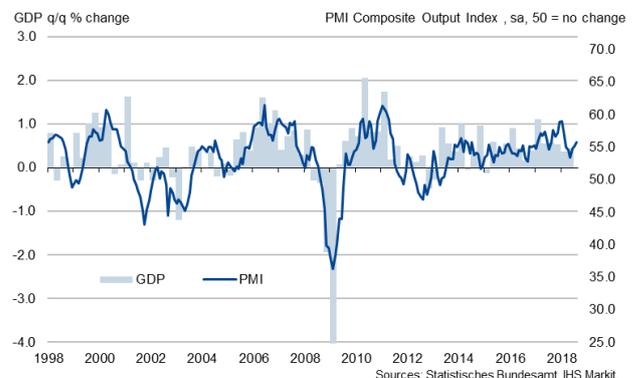
German business activity grew at the fastest rate for six months in August, according to the latest PMI[®] survey data from IHS Markit. Adjusted for seasonality, the level of private sector output in the eurozone's largest member state rose markedly, supported by stronger growth of new business and driving an acceleration in the rate of job creation.

However, there were also signs of increasing inflationary pressures, with average prices charged for goods and services rising one of the fastest rates ever recorded by the survey. August also saw a renewed slowdown in export order growth to the weakest in over two years.

The **IHS Markit Flash Germany Composite Output Index** registered 55.7 in August, up from 55.0 in July and its highest reading since February. An acceleration in the rate of service sector business activity growth to a six-month high was the driving factor behind the improved performance midway through the third quarter. Manufacturing output continued to increase strongly and at a rate that was unchanged from that seen in July.

While business conditions continued to improve across the manufacturing sector in August, the rate

IHS Markit Germany Flash PMI



of expansion was weaker than in the previous month. August saw slightly slower increases in both new orders and employment across the goods-producing sector, with the former growing at a more moderate pace partly due to the weaker expansion in export orders.

Accordingly, the **IHS Markit Flash Germany Manufacturing PMI** fell back from July's two-month high of 56.9 to 56.1, its second-lowest reading in the past 20 months (albeit one that was still considerably higher than the long-run series average). A decline in stocks of purchases and a reduction in the incidence of supplier delivery delays also contributed to the lower headline number in August.

Nevertheless, stronger demand in the service sector offset the loss of momentum recorded in manufacturing, with total inflows of **new business** rising at the quickest rate since February.

It was a similar picture on the **employment** front, where the overall rate of job creation picked up to the fastest for seven months thanks to a strong and accelerated increase in service sector staffing numbers. That said, it was manufacturing that

continued to record the quicker rate of employment growth overall.

Rising workloads were reflected in a further increase in the level of **backlogs of work** in August. However, the rate of accumulation was only modest having eased to the weakest since January 2017.

Latest data meanwhile showed an intensification of inflationary pressures across the German economy. Average **prices charged for goods and services** rose sharply and at a rate that was only just below January's record high. Notably, the increase in service sector output charges was the second-steepest seen since the series began over 21 years ago.

Surveyed businesses generally reported raising output prices in order to pass on part of the burden of higher **input costs**, which likewise displayed the quickest rate of inflation since the opening month of the year. According the survey's anecdotal evidence, the main drivers of the increase in input prices were salary pressures and higher raw material costs.

Business confidence towards the outlook for activity over the next 12 months improved to the highest in four months in August, albeit with the degree of optimism remaining well below the levels seen at the turn of the year. Stronger future expectations among service providers contrasted with a slight weakening of confidence in the manufacturing sector.

Comment

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

"German business continued to display remarkable resilience during August, with the latest PMI data going some way to dispel any fears about a global trade slowdown and its impact on the health of the economy."

"Buoyed by strong fundamentals in the domestic market, including rising employment and wages, the service sector enjoyed an upturn in growth in August and drove the steepest rise in private sector business activity for six months."

"While the manufacturing PMI retreated slightly, it remained well inside growth territory at the mid-point in the third quarter. The top-line number is perhaps flattered by the output component, with trends in new orders and exports – the latter the weakest in over two years – pointing to a softer pace of growth."

"Elsewhere, the survey's measure of prices charged for goods and services edged closer to January's survey-record peak, to suggest the potential for some renewed upward pressure on the headline inflation rate in coming months."

-Ends-

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Note to Editors:

Final August data are published on 3 September for manufacturing and 5 September 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 1000 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 <i>PMI</i> 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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