

# IHS Markit / BME Germany Manufacturing PMI®

## German manufacturing sector remains afflicted by supply chain problems

### Key findings

Material shortages restrain output and new orders

Surging input costs drive record rise in factory gate charges

Further slowdown in job creation as optimism wanes

Data were collected 12-22 October 2021.

Supply bottlenecks remained a major hindrance to Germany's manufacturers at the start of the fourth quarter, latest PMI® survey data showed. Material shortages were a restraining factor for both output and new orders, while at the same time they underpinned a record increase in factory gate charges as firms looked to pass on sharply rising costs to customers.

Trends in employment and expectations also disappointed in October. The rate of job creation slowed for a third straight month, while business optimism slipped to the lowest since August 2020.

The headline IHS Markit/BME Germany Manufacturing PMI® – a weighted aggregate of measures of new orders, output, employment, suppliers' delivery times and stock of purchases – registered 57.8 in October, down from 58.4 in September. Though the lowest in nine months, the latest reading remained firmly above the 50.0 no-change mark. However, this once again owed in large part to the suppliers' delivery times sub-component, which continued to boost the index in level terms.

Supplier delivery times in fact had a positive influence on the headline PMI at the margin in October, with reports of delays having increased for the first time in five months to the highest since July. Surveyed businesses commented on shortages of commodities in the market, capacity constraints among suppliers and transportation issues.

Supply constraints held back production levels during October as firms had difficulties sourcing key components. The survey's output index registered its lowest reading in 16 months and was only slightly above the 50.0 no-change mark. It was a similar picture for new orders, which showed the weakest rate of growth since the current recovery began in July 2020. Key to this was a reduction in demand from customers in the automotive sector linked to the ongoing chip crisis. Growth in export orders showed a more robust

Germany Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Phil Smith, Associate Economics Director at IHS Markit, said:

"Output levels across the manufacturing sector are being increasingly shackled by supply bottlenecks. According to surveyed businesses, the well-documented slowdown in autos production is dragging down other parts of the manufacturing economy with it, as firms in that sector scale back orders for components and materials.

"However, while producers of intermediate goods have recorded a sustained drop in new orders, we're still seeing some pockets of robust strength in demand, particularly for investment goods. Backlogs continued to rise across each of the main industrial groupings, suggesting this is still mainly a supply-side issue.

"Worryingly, the supply problems took a turn for the worse in October, with lead times on purchases lengthening to the greatest extent for three months. Adding to this, the rate of cost inflation has crept back up towards the record highs seen in the summer, leading to an unprecedented rise in factory gate prices and putting more inflationary pressure into the system.

"Manufacturers lost further confidence that these issues will be resolved sooner rather than later, with business expectations now at their lowest since August 2020."

trend than total new business.

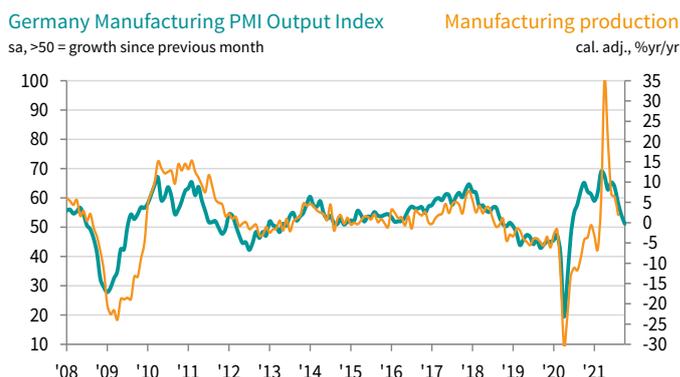
Another headwind to order book growth was higher prices. October saw an unprecedented rise in average prices charged by German manufacturers as an increasing number of firms looked to pass on higher costs to customers.

Latest data showed no let-up in the recent surge in costs faced by goods producers. The rate of input price inflation even ticked up slightly in October for the first time in three months, taking it closer to July's record high. Surveyed businesses reported paying more for a range of materials and components, particularly aluminium, electronics, plastic and steel, as well as facing higher energy and freight costs.

Manufacturers' purchasing of inputs continued to show a robust rate of growth, and one that was notably quicker than those of output and new orders as a number of firms reported efforts to build up buffer stocks. This contributed to a rise in pre-production inventories for the first time in a year-and-a-half. Stocks of finished goods meanwhile moved closer to stabilisation having fallen in each of the previous 16 months.

The upturn in factory employment extended to an eighth straight month in October, reflecting efforts by manufacturers to expand operating capacity. The rate of job creation was solid but eased for the third month running to the slowest since March.

Lastly, October's survey showed a further weakening of manufacturers' optimism towards future output. Firms expecting growth over the next 12 months outnumbered those predicting a decline by the smallest margin since August 2020, owing to growing concerns about supply bottlenecks and associated inflationary pressures.



Sources: IHS Markit, Federal Statistical Office.

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### Survey 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.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-22 October 2021.

Survey data were first collected April 1996.

### Flash vs. final data

Flash data were calculated from 92% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

### 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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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### About BME

The BME is the German Association for Supply Chain Management, Procurement and Logistics. Founded in 1954 it provides services for around 9750 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME liaises between businesses 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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