

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Germany PMI®

### Business activity growth eases to four-year low in December

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 52.2 (52.3 in Nov). 48-month low.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 52.5 (53.3 in Nov). 7-month low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 51.5 (51.8 in Nov). 33-month low.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 51.6 (50.3 in Nov). 3-month high.

Data collected December 5-13

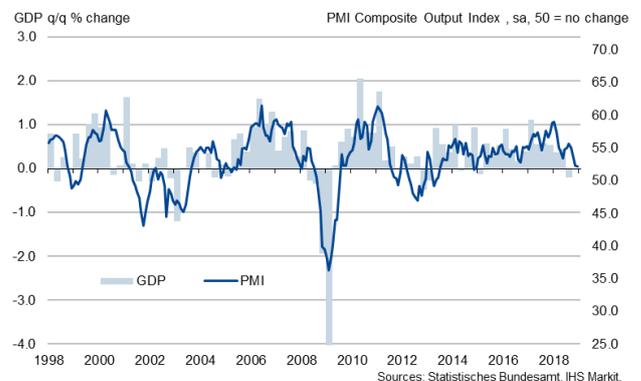
Germany's private sector remained stuck in a low growth phase in the closing month of 2018, with December's 'flash' PMI® data from IHS Markit showing the slowest rise of business activity for four years. The survey's forward-looking indicators also deteriorated, signalling a near-stalling of order books and a further softening of business confidence towards the outlook.

A further solid round of job creation was one of few positive takeaways from the survey, alongside subsiding cost pressures.

The **IHS Markit Flash Germany Composite Output Index** registered 52.2 in December. Though down only fractionally from November's 52.3, it was nevertheless the lowest reading for four years. By sector, data showed a slight pick-up in manufacturing output growth to a three-month high. However, this was offset by a slower rate of increase in service sector business activity, the second-weakest seen in over two years.

Despite the slightly firmer increase in goods production, December saw the **IHS Markit Flash Germany Manufacturing PMI** slip to 51.5 from 51.8 in November, signalling the weakest improvement in business conditions in the sector

#### IHS Markit Germany Flash PMI



since March 2016. The fall in the index mainly reflected a renewed contraction in manufacturers' stocks of purchases and easing supply chain pressures. The new orders component also imparted a slight downward influence, with manufacturing order books falling for the third straight month and at the fastest rate since November 2014.

The level of new business received by service providers meanwhile increased in December, though the pace of growth was the weakest seen for seven months. As such, **overall inflows of new business** edged closer to stagnation, rising only fractionally and at the slowest rate for four years. **New export business** meanwhile fell for the fourth month running, led by a further decline in manufacturing export orders. Surveyed businesses reported increased cautiousness among international clients, with a number of manufacturers highlighting a drop in sales to China.

A solid rate of job creation continued to be seen across both the manufacturing and services sectors in December. **Employment** growth at the composite level picked up slightly from November's six-month low and was well above the historical

series average.

This extra staffing capacity across the private sector was reflected in a second straight monthly decline in **backlogs of work**. Moreover, with service providers having seen outstanding business fall for the first time in ten months and the downturn in manufacturing backlogs accelerating, the overall rate at which work-in-hand fell was the quickest seen since December 2014.

On the price front, **average charges for goods and services** rose a solid rate that was broadly unchanged from the month before. Factory gate price inflation was at a three-month high, whereas the increase in service sector output charges was the least marked since May.

**Input price inflation** meanwhile moderated for the second straight month, down to its weakest since September 2017. Slower rates of increase were recorded across both monitored sectors, with the rate of cost inflation across manufacturing falling sharply to a 16-month low. Where a rise in expenses was recorded, this was often attributed to salary pressures.

Finally, latest data showed a further weakening of **business confidence** regarding the year-ahead outlook for activity. The degree of optimism was the lowest recorded for over four years, as sentiment among the country's services firms showed a further deterioration to the weakest since October 2015. Manufacturers remained especially downbeat about the outlook, though the degree of pessimism was less marked than in October and November.

## Comment

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

*"The PMI data disappointed again in December, indicating the continuation of only a modest rate of underlying growth across Germany's private sector. Furthermore, with new orders close to stalling in December and firms reporting reduced optimism towards the outlook, there's a lack of momentum heading into the New Year."*

*"It's a stark contrast from the situation this time last year. Reports of an economy close to overheating have been supplanted by concerns about an increasingly uncertain political backdrop, trade wars and a struggling autos industry."*

*"The survey's measures of output and new orders diverged further from that of employment as December saw another solid – and slightly accelerated – round of job creation across both manufacturing and services. With firms now eating into backlogs of work at a faster rate, the indication is that a renewed slowdown in hiring is increasing likely."*

-Ends-

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**Note to Editors:**

Final December data are published on 2 January for manufacturing and 4 January 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>3</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?"

**About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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**About PMI**

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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