

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

PMI signals positive start to 2020 for German private sector

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 51.1 (Dec: 50.2). 5-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 54.2 (Dec: 52.9). 5-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 45.2 (Dec: 43.7). 11-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 45.3 (Dec: 44.9). 5-month high.

Data collected January 13-23

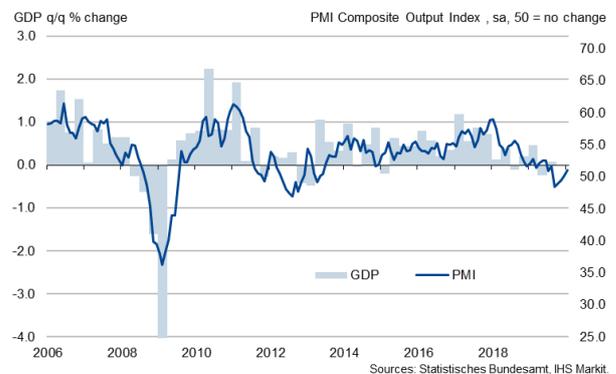
January saw a welcome, albeit modest, upturn in business activity across Germany's private sector, according to the latest PMI® survey data. IHS Markit's **Flash Germany Composite Output Index** – which tracks the combined change in activity across the country's manufacturing and service sectors, and is based on approximately 85% of usual monthly replies – registered 51.1 at the start of the year, up from 50.2 in December and its highest since last August.

Other positive developments highlighted by the survey in January included a return to growth of new orders, a faster rate of job creation and improved business confidence towards the outlook for activity over the coming year.

Data at the sector level showed growth of services business activity accelerating to a strong rate that was the fastest for five months, alongside an easing of the rate of decline in manufacturing production to the weakest since August last year.

The headline **Flash Germany Manufacturing PMI** – which is a single-figure snapshot of factory business conditions calculated from measures of new orders, output, employment, supplier delivery times, and stocks of purchases – climbed to an

IHS Markit Germany Flash PMI



11-month high of 45.2 in January, up from December's 43.7. The latest reading was still firmly in contraction territory, but signalled the overall rate of decline in manufacturing easing for the third time in the past four months.

New business across Germany's private sector rose for the first time in seven months in January. Though only modest, the rate of growth was the quickest since October 2018. As well as indicating a faster rise in service sector new business, flash data showed manufacturing new orders falling only modestly and at the slowest rate for 15 months. These trends partly reflected an easing drag from external demand, with service providers reporting **new business from abroad** nearing stabilisation and goods export orders posting the smallest fall in the current 17-month sequence of decline.

The positive trends in output and demand extended to **employment**. The pace of job creation in January was the quickest seen for five months, buoyed by stronger growth in services workforce numbers. That said, another marked round of staff cuts across manufacturing weighed on the overall increase in employment, which was only modest by historical standards.

Firms' expectations towards output over the coming year improved to a 16-month high in January. While service sector sentiment showed a modest gain to reach the highest since last April, the main boost to overall business confidence came from a jump in manufacturers' expectations, which were the most positive in almost one-and-a-half years.

Elsewhere, January's survey showed signs of an uptick in cost pressures faced by German businesses. The rate of **input price inflation** was the highest for six months (although still below the long-run average) as firms reported the influence of higher wages, fuel and energy costs. **Prices charged** by businesses nevertheless rose only modestly, and at a rate that was among the weakest over the past three-and-a-half years.

Price dynamics continued to contrast at the sector level. Strong competitive pressures and a ninth straight monthly decrease in the cost of raw materials and other inputs led manufacturers to reduce factory gate prices. Services firms, on the other hand, faced the steepest rise in costs since April last year, which translated into a solid and accelerated increase in service sector charges.

Comment

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

"A number of positive takeaways from January's flash PMI survey suggest the storm clouds over the German economy may be starting to clear. The drag from the downturn in manufacturing continues to ease as the sector moves closer to stabilisation, while the services economy is back growing at a robust pace."

"Demand has started to firm up a little both at home and abroad, which is reflected in a first rise in new business for seven months. With confidence starting to return, businesses are reporting clients steadily loosening the purse strings."

-Ends-

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Note to Editors:

Final January data are published on 3 February for manufacturing and 5 February 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 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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