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## IHS MARKIT / BME GERMANY MANUFACTURING PMI®

### Headline PMI ticks down in May despite slower fall in output

#### KEY FINDINGS

Headline PMI stays close to its lowest since 2012

Employment falls the most in almost six-and-a-half years

Input costs decline for first time since mid-2016

Germany's manufacturing sector remained stuck in contraction in May, according to the latest PMI® data from IHS Markit and BME. Though rates of decline in output and new orders eased, employment fell the most in almost six-and-a-half years. A sustained decline in demand for inputs meanwhile contributed to a fall in purchasing costs for the first time in nearly three years and the most marked improvement in supplier delivery times since the global financial crisis.

MaysawtheheadlineIHSMarkit/BMEGermanyManufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – register 44.3, down fractionally from 44.4 in April and one of its lowest readings since mid-2012. The fall in the PMI reflected the employment, stocks of purchases and supplier delivery times components.

The rate of decline in output eased for the second month running in May, to show the softest drop in production since February. Underpinning this was a combination of stronger growth in the consumer goods sector and a slower decline at capital goods firms. Makers of intermediate goods meanwhile recorded a sharper reduction in production.

In line with output, rates of decline in both total new orders and export sales slowed for the second month running in May. Despite easing, the latest declines were sharp overall, with anecdotal evidence highlighting the effects of the slowdown in the car industry, the US-China trade conflict and customer destocking on sales.

Pre-production inventories fell for the fourth month in a row during May, and at the quickest rate in over six years. Stocks

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit

of finished goods were also pared back, falling the most since September 2016.

Another area where manufacturers made cutbacks was employment, which fell for the third consecutive month in May. Moreover, having accelerated from the modest rates of decline seen in March and April, the pace of job losses reached the quickest since January 2013.

Lower production requirements led manufacturers to reduce their purchasing activity in May, in turn resulting in a further easing of supply chain pressures. Lead times on inputs improved for the fourth month in a row and to the greatest extent since April 2009.

Concurrently, data revealed a fall in average input costs for the first time in nearly three years. The decrease was only modest, but it nevertheless contrasted with the sharp rates of inflation seen throughout 2017 and 2018. A number of firms cited lower steel prices when explaining the decline. Output price inflation meanwhile remained at its lowest since late-2016.

Manufacturers remained downbeat about the outlook for output over the next 12 months, citing lingering concerns towards trade conflicts, the auto sector slowdown and Brexit. That said, firms were the least pessimistic since January.

## COMMENT

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

*"Overall, the PMI data continue to paint a negative picture for Germany's manufacturing sector, with the headline Index remaining close to its lowest since 2012.*

*"However, there are tentative signs that the manufacturing sector could be heading towards stabilisation, with the rates of decline in output and new orders both easing for the second month running and future expectations less pessimistic than in April.*

*"The PMI itself has been pulled downwards by faster falls in employment and input stocks, with the most marked improvement in supplier delivery times for over ten years also having a negative directional influence. After only modest falls in employment in March and April, manufacturers showed an increased willingness to trim staffing capacity.*

*"Thanks in part to excess supply in the market, manufacturers faced lower input prices for the first time in almost three years in May."*

## CONTACT

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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.

May 2019 data were collected 13-23 May 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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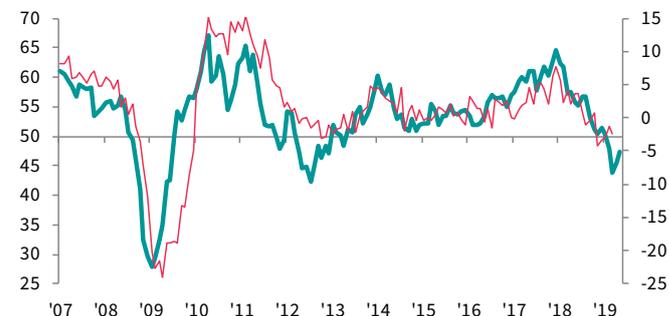
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### Output Index

sa, >50 = growth since previous month

### Manufacturing production

sa, cal. adj., %y/yr



Sources: IHS Markit, Bundesbank.

### About IHS Markit

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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### 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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