

MARKET SENSITIVE INFORMATION

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S&P Global Flash Germany PMI®

Drop in manufacturing production contrasts with continued service sector growth

Key findings:

Flash Germany PMI Composite Output Index⁽¹⁾ at 54.5 (Mar: 55.1). 3-month low.

Flash Germany Services PMI Activity Index⁽²⁾ at 57.9 (Mar: 56.1). 8-month high.

Flash Germany Manufacturing Output Index⁽⁴⁾ at 47.4 (Mar: 53.0). 22-month low.

Flash Germany Manufacturing PMI⁽³⁾ at 54.1 (Mar: 56.9). 20-month low.

Data were collected 11-20 April

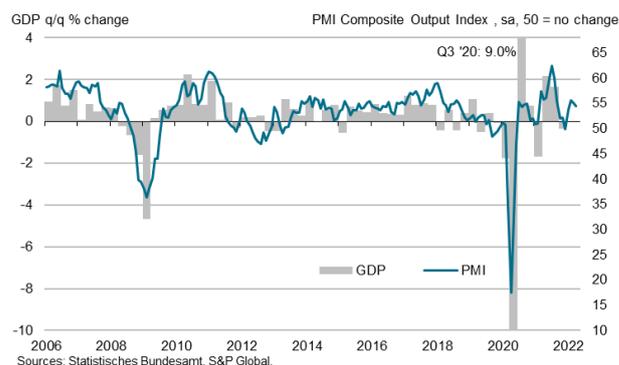
Latest 'flash' PMI® data from S&P Global signalled a downturn in manufacturing production across Germany in April amid reports of severe supply disruption and a drop in demand for goods. Overall economic activity in the country was supported, however, by a sustained rebound in the service sector, which continued to benefit from the waning influence of the pandemic.

Elsewhere, the survey pointed to a further surge in inflationary pressures, with April seeing record increases in both goods and services output prices. Concerns about rising prices and supply shortages, as well as the general economic uncertainty caused by the war in Ukraine saw business expectations fall to their lowest in almost two years.

The headline **Flash Germany PMI Composite Output Index** registered 54.5 in April. Although down from 55.1 in March and the lowest for three months, the latest reading was still above the 50.0 threshold that separates growth from contraction, owing to a steep rise in service sector business activity (index at an eight-month high of 57.9). By contrast, at 47.4, the survey's manufacturing output index slipped into sub-50 contraction territory for the first time since June 2020 as goods producers commented on both a drop in demand and constraints on production due to material shortages.

April saw manufacturing **new orders** contract for the first time in nearly two years. Heightened uncertainty among clients, economic sanctions and squeezed supply chains were all contributing factors, according to anecdotal evidence provided by survey businesses. Services firms, on the other hand, reported a further recovery in demand

S&P Global Flash Germany PMI Composite Output Index



due in part to the easing of COVID-19-related restrictions and as a result saw inflows of new business rise to the greatest extent since last August. Across the two monitored sectors, overall inflows of new work rose at a solid pace that was little-changed from the previous month. This was despite a sustained broad-based decline in **new business from abroad**.

Manufacturers continued to face severe **supply chain disruption** during April, with the incidence of delays in the receipt of inputs remaining historically elevated. Reports from surveyed businesses indicated that supply and transportation bottlenecks had been compounded by the war in Ukraine and COVID-related lockdowns in China. Efforts among some manufacturers to mitigate against longer lead times, alongside production stoppages, saw stocks of purchases rise at the sharpest rate for three months.

At the same time, businesses across the German private sector came under increasing pressure from rising **input costs**. In manufacturing, the rate of input cost inflation reached a four-month high, while for services firms (and across the two sectors combined) it hit a fresh record peak.

Surging operating expenses continued to be passed on by businesses in the form of higher **output prices**. April saw rates of inflation in both service output prices and factory gate charges reach fresh series-record highs, in a further sign of escalating price pressures across the economy.

Business confidence towards the year-ahead outlook for activity took a further hit in April, dropping for the second month in a row to the lowest since May 2020. Expectations

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among service firms remained positive but fell to their lowest since October 2020. Manufacturers meanwhile grew increasingly pessimistic about the outlook, reflecting particularly acute concerns about rising prices, supply chain disruption and the general economic uncertainty surrounding the war in Ukraine.

Despite the deteriorating business outlook, latest data showed a continuation of the German labour market recovery. The rate of **employment** growth was solid and even picked up slightly from the previous survey period thanks to a slightly faster pace of job creation across the country's manufacturing sector.

S&P Global Flash Germany Manufacturing PMI



Commenting on the flash PMI data, **Phil Smith**, Economics Associate Director at S&P Global said:

"We're seeing a growing divergence in the performance of Germany's manufacturing and service sectors. Whilst services activity continues to build momentum thanks to the easing of COVID restrictions and the subsequent release of pent-up demand, manufacturing production has fallen into contraction amid a combination of renewed supply disruption and cooling demand for goods."

"For now, the recovery in the service sector is providing a key support to overall economic activity, but the reopening of the economy will provide only a temporary boost to growth and spillovers from a protracted downturn in manufacturing cannot be ruled out. Confidence towards the outlook has fallen across the board and especially sharply in the manufacturing sector since the start of the year, with businesses voicing their concerns about soaring prices, material shortages and a more cautious attitude among customers."

"One theme that we're seeing throughout the economy is rising prices. Latest data showed record increases in both goods and services output prices in April, reflecting widespread attempts by businesses to offset the increasing cost of energy, materials and labour. The broad-based nature of the price increases points to inflation remaining historically elevated in the near-term at least."

-Ends-

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Note to Editors

Final April data are published on 2 May for manufacturing and 4 May for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by S&P Global 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
Composite Output Index ¹	0.0	0.4
Manufacturing <i>PMI</i> ²	0.0	0.3
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.

S&P Global 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 S&P Global. 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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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 <https://ihsmarkit.com/products/pmi.html>.

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