

# IHS Markit / BME Germany Manufacturing PMI®

## Manufacturing continues to bounce back as new orders show record increase

### Key findings

PMI climbs to 31-month high of 58.2 in October

New orders post sharpest rise since survey began in 1996

Output expectations weaken for first time in seven months

Data were collected 12-23 October

Germany's manufacturing sector carried strong growth momentum into the final quarter of 2020, seeing a steep and accelerated increase in output alongside a record rise in new orders, latest PMI® survey data showed. However, employment at factories continued to fall, while business confidence in the sector suffered the first setback for seven months.

The continued improvement in operations conditions following the coronavirus disease 2019 (COVID-19) shutdowns earlier in the year was highlighted by 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 – registering 58.2 in October. This was up from September's 56.4 and the highest reading since March 2018.

Contributing to the rise in the headline PMI in October was an uptick in the survey's new orders index, which pointed to the steepest growth in new business at German manufacturers since data collection began in 1996. Surveyed firms reported stronger demand both domestically and abroad, with rising sales to Asia (particularly China) helping lift new export orders to the greatest extent since December 2017.

The rise in new orders in October was met with a further steep expansion in production volumes. Growth on this front was the third-fastest in the survey's history and reflected sharp increases in output across each of the three main industrial groupings – consumer, intermediate and investment goods.

However, despite rising workloads leading to a further build-up of outstanding business across the sector, manufacturing employment fell for the twentieth month in a row in October. The rate of staff cuts eased slightly to the weakest since before the COVID-19 lockdowns, though it was still marked by historical standards.

*continued...*

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:

*"Manufacturing in Germany continued to bounce back strongly in October. The standout data point was the survey's measure of new orders, which reached an all-time high on the back of a revival in demand both domestically and internationally.*

*"Less positively and perhaps a sign that growth could be about to slow as more firms get back to pre-COVID levels of output, we saw the first setback to manufacturing expectations for seven months in October. It comes amid rising numbers of coronavirus cases in Europe, and the increased threat of renewed disruption to supply and demand that comes with it.*

*"Inflationary pressures have started to return to the manufacturing sector, with October seeing the first – albeit slight – increases in both input costs and output prices since the first half of 2019. Demand conditions across manufacturing and its supply chain look to be returning to something that resembles 'normal', and so more firms have started to up prices."*

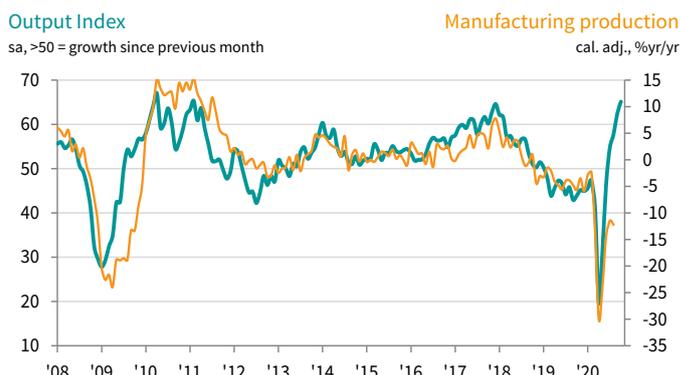
By contrast, buying levels among goods producers rose sharply during the month, recording the steepest increase since January 2018. That failed to prevent another marked fall in stocks of purchases, however, as firms reported disruption in the supply of goods as well as efforts to keep stocks low to help with cashflow. That said, the decline in pre-production inventories eased since September, as was the case with stocks of finished goods.

Supply chain pressures increased in October, with lead times on inputs lengthening to the greatest extent for five months. Surveyed firms highlighted the influence of rising demand and short-time work schedules at suppliers. Reports of delays remained well below the levels seen during the initial COVID-19 shutdowns in the spring, however.

Tighter supply conditions were reflected in tentative signs of inflationary pressures, with manufacturing input costs rising – albeit marginally – for the first time in 18 months. Surveyed firms commented on higher prices paid for electronics, metals and fabricated metal products.

Similarly, average factory gate charges rose modestly and for the first time since May 2019, as stronger demand allowed some goods producers to pass on the burden of higher costs to clients.

Turning to expectations for output over the year ahead, October's survey showed a slight weakening of manufacturers' confidence from a 32-month high in September. Still, firms generally remained positive towards the outlook, with many reporting hopes of an eventual end to the COVID-19 pandemic and a subsequent pick-up in market demand.



Sources: IHS Markit, Bundesbank.

## Contact

Phil Smith  
Economics Associate Director  
IHS Markit  
T: +44-1491-461-009  
[phil.smith@ihsmarkit.com](mailto:phil.smith@ihsmarkit.com)

Katherine Smith  
Public Relations  
IHS Markit  
T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

### 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

October data were collected 12-23 October 2020.

Survey data were first collected April 1996.

### Flash vs. final data

Flash data were calculated from 95% 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)

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### About IHS Markit

IHS Markit (NYSE: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, click [here](#).

### 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.).

Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME)  
Frankfurter Str. 27  
65760 Eschborn  
GERMANY

Contact: Frank Rösch, Head of Press and Communications  
E-mail: [frank.roesch@bme.de](mailto:frank.roesch@bme.de) Internet: [www.bme.de](http://www.bme.de)