

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Germany PMI<sup>®</sup>

### Downturn in German economy continues as employment falls for first time in six years

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 48.6 (Sep: 48.5). 2-month high.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 51.2 (Sep: 51.4). 37-month low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 41.9 (Sep: 41.7). 2-month high.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 43.6 (Sep: 43.0). 2-month high.

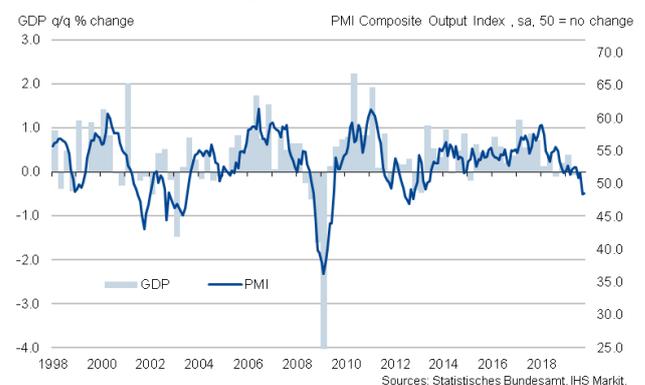
Data collected October 11-23

The German economy remained in contraction at the start of the fourth quarter, according to the October flash PMI data from IHS Markit. The **Flash Germany Composite Output Index** – which is based on approximately 85% of usual monthly replies – registered 48.6 in October, little-changed from September's near seven-year low of 48.5 and below the 50 no-change level for the second month in a row. Moreover, the survey showed employment falling for the first time in six years.

The **IHS Markit Flash Germany Manufacturing PMI** meanwhile also remained firmly in contraction territory at 41.9 in October. This represented a marginal improvement from September's ten-year low of 41.7, as rates of decline in factory output and new orders eased slightly. However, weighing on the index were faster decreases in employment and stocks of purchases, alongside a more marked improvement in supplier delivery times.

Latest data showed the rate of growth of service sector business activity easing to only a modest pace that was the weakest for over three years. Behind this was a sustained decline of demand in the sector, with inflows of services new business

#### IHS Markit Germany Flash PMI



falling for the second month in a row and at the quickest rate since June 2013. **Total new business** across the private sector was down for the fifth time in the past six months, though the rate of decline eased slightly thanks to a slower (though still sharp) fall in manufacturing order books.

**Total inflows of new work from abroad** contracted for the fourteenth straight month in October, led by another steep drop in sales across the manufacturing sector. Here, the rate of decline remained sharp by historical standards, but eased to the weakest since June. By contrast, service providers noted the steepest decline since the question on services new export business was first added to the survey in September 2014.

October saw **employment** across the German private sector fall, albeit only slightly, for the first time in six years. Job losses were largely centred on manufacturing, where staffing numbers fell to the greatest extent for nearly ten years amid the widespread paring of temporary and contract workers. That said, a slowdown in service sector job creation to a three-and-a-half year low was also recorded.

The drop in overall employment in October was in line with signs of easing capacity pressures and a deterioration in business confidence towards future activity. Firms reduced **backlogs of work** for the twelfth month in a row and at the quickest rate for nearly seven years.

**Business sentiment** meanwhile turned increasingly negative, with expectations falling to the lowest since November 2012. Driving this was a marked deterioration in confidence across the service sector, where for the first time in almost seven years the number of firms expecting activity to fall over the coming year exceeded those anticipating an increase. Manufacturers remained strongly pessimistic about the outlook, though expectations rebounded further from August's record low to the highest since June.

Elsewhere, latest data indicated a further softening of inflationary pressures, as **average charges for goods and services** rose at the slowest rate for over three years. At the sector level, data showed the steepest drop in factory gate prices for nearly ten years, while charges levied by service providers registered the smallest increase since July 2017.

**Overall input prices** meanwhile showed the smallest increase for three-and-a-half years. The modest rise in overall input costs masked contrasting trends at the sector level. While service providers faced another steep increase in operating expenses thanks to upward pressure from wages, energy and fuel prices, widespread decreases in the cost of raw materials led to the steepest drop of manufacturing input prices since March 2016.

## Comment

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

*"Hopes of a return to growth in Germany in the final quarter have been somewhat dashed by the October flash PMI numbers, which show business activity in the eurozone's largest economy contracting further and underlying demand continuing to soften."*

*"Manufacturing remains the main weak link, though here there are some signs of encouragement with rates of decline in production and new orders easing and business confidence improving to a four-month high."*

*"Perhaps most concerning are the signs of increasing strain on the domestic economy, with growth of service sector activity slowing to the weakest since September 2016 and employment now in decline for the first time in six years."*

-Ends-

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**Note to Editors:**

Final October data are published on 4 November for manufacturing and 6 November 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*® (*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](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?"

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