

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

### Rising COVID-19 cases see services activity go into reverse, but strong manufacturing upturn continues

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 54.5 (Sep: 54.7). 2-month low.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 48.9 (Sep: 50.6). 4-month low.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 64.9 (Sep: 62.4). 116-month high.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 58.0 (Sep: 56.4). 30-month high

Data collected October 12-22

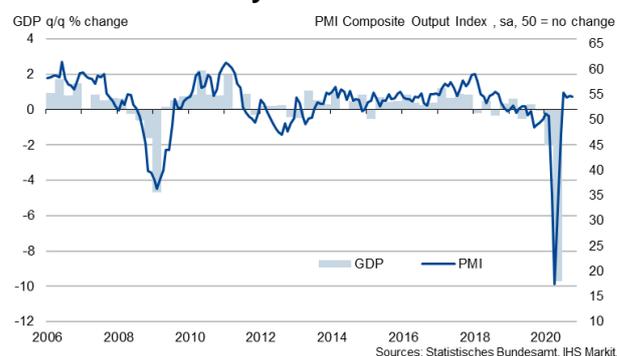
A further rise in manufacturing output helped to support growth across the German private sector in October, latest PMI<sup>®</sup> data from IHS Markit showed. However, in a sign of a two-speed economy emerging, service providers recorded a modest decline in activity amid new restrictions and heightened uncertainty due to a second wave of coronavirus cases.

The **headline Flash Germany Composite Output Index** registered 54.5 in October. Though down slightly from September's 54.7, the latest reading was still comfortably above the 50.0 no-change mark that separates growth from contraction.

Trends at the sector level continued to diverge in October, with the manufacturing output index pointing to the strongest pace of expansion since February 2011, while the equivalent measure of services business activity fell below the neutral 50.0 threshold for the first time since June.

Service providers reported an impact on demand from new restrictions and increased uncertainty associated with a rise in the number of coronavirus disease 2019 (COVID-19) cases. **New business** fell across the sector for the first time in four months, led

#### IHS Markit Germany Flash PMI



by a sharp and accelerated fall in foreign demand. This contrasted with the situation in the manufacturing sector, where latest data showed a record increase in order book volumes, supported by a resurgence in export business. Among the goods producers surveyed, there reports of increases in sales to Asia (often China), the US and across Europe.

A sharp rise in manufacturing **backlogs of work** – the steepest since December 2017 – more than offset a further (albeit slower) fall in work-in-hand at services providers in October. It meant that overall outstanding business increased for the third month in a row, with the rate of accumulation accelerating to the fastest for two-and-a-half years.

On the **employment** front, however, it was a case of roles reversed, with the service sector seeing a fourth straight monthly rise in payroll numbers, while manufacturers recorded further staff cuts. Overall employment was down for the eighth month in a row although, thanks to a pick-up in the rate of job creation at services firms to the quickest since before the COVID-19 outbreak in March, the decline was only modest and the weakest in this sequence.

Turning to prices, latest data showed a rise in **average charges for goods and services** for the first time since February, reflecting increases in across both monitored sectors. Service providers recorded the slightly steeper rate of output price inflation, having also faced a comparatively stronger rise in costs during the month. Manufacturing input prices rose only marginally, but it was nevertheless the first increase in a year-and-a-half amid reports of higher demand for materials and associated shortages at suppliers.

Alongside stronger growth of factory output and new orders as well as a slower fall in stocks of purchases, a greater lengthening of input delivery times was a factor helping lift the **Flash Germany Manufacturing PMI** in October. At 58.0, up from September's 56.4, its latest reading pointed to the most marked improvement in overall manufacturing conditions since April 2018.

Finally, looking ahead to activity in a year's time, October's survey showed a weakening of **expectations** for the first time in seven months. Sentiment remained positive overall, with optimists continuing to outnumber pessimists, but the degree of confidence eased to the lowest since June as worries about COVID-19 weighed on the outlook, especially in the service sector.

## Comment

Commenting on the flash PMI data, **Phil Smith**, Associate Director at IHS Markit said:

*"Encouragingly, the German economy is showing a degree of resilience in the face of a second wave of coronavirus cases, October's flash PMI data suggests. While some services firms in Germany have been hit by new restrictions and increased uncertainty around a 'second wave', the decline in service sector activity has so far been quite limited, whilst at the same time the country's economic performance is being buoyed by a strong showing from manufacturing.*

*"It's increasingly looking like a two-speed economy. Manufacturing businesses have been able to continue operating with less disruption from any new restrictions than many of their service sector counterparts, whilst at the same time reaping the benefits of a resurgence in global goods trade.*

*"As more manufacturers get back or close to pre-COVID-19 levels of activity, however, sustaining growth is going to become more challenging. Manufacturers' expectations dipped slightly in October for the first time in seven months, though any concerns towards the outlook are mostly amongst services firms."*

-Ends-

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Final October data are published on 2 November for manufacturing and 4 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 PMI <sup>3</sup>	0.0	0.3
Germany Services Business Activity Index <sup>2</sup>	-0.1	0.6

The *Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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<sup>®</sup> 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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