

# IHS Markit / BME Germany Manufacturing PMI®

## German manufacturing continues to regain momentum in July

### Key findings

PMI hits strongest level since April, and third-highest on record

Survey-record increase in employment

Both price indices reach new record highs

Data were collected 12-23 July 2021.

German manufacturing recorded another historically strong performance in July, according to the latest PMI® figures. Following a slight loss of momentum in May, the overall rate of growth accelerated further and was the third-highest in any month since the survey began in 1996. New orders rose at the third-strongest rate ever recorded, leading to a near-record increase in backlogs despite an unprecedented rise in employment. Output growth was strong overall but eased since June, constrained by ongoing supply shortages. July data also indicated the fastest rates of input and output price inflation in the survey history.

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 – rose for the second month running to 65.9 in July, from 65.1 in June. The latest figure was the third-highest since the survey began in 1996, below only the peaks registered in March and April this year, and signalled rapidly improving business conditions at German goods producers. Since the survey began in April 1996 the PMI has trended at 52.3.

Four of the five PMI components provided strongly positive contributions to the headline figure in July. The exception was stocks of purchases, although it registered the weakest decline for over a year. The new orders and employment components exerted the strongest directional influences on the PMI since June, offset slightly by output.

The rate of growth in new orders accelerated further in July, following a brief loss of momentum in May. The rate of expansion was the third-fastest on record, surpassed only by those registered in March and April. The stronger overall increase in

Germany Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Trevor Balchin, Economics Director at IHS Markit, said:

*"Faster growth of new orders and employment boosted the German manufacturing sector in July, with the PMI rising for the second successive month following a brief loss of momentum in May.*

*"Although the headline figure now stands at the third-highest level on record, at 65.9, the latest survey results provided further evidence that output growth is being constrained by supply shortages. While the new orders and employment indices were the third-highest and highest ever, respectively, the output index fell since June and was only the ninth-highest since the survey began in 1996. Moreover, it was below its average for the first half of 2021. Subsequently, backlogs rose at a near-record pace in July and ongoing concerns over supply contributed to the weakest 12-month outlook for production since last December.*

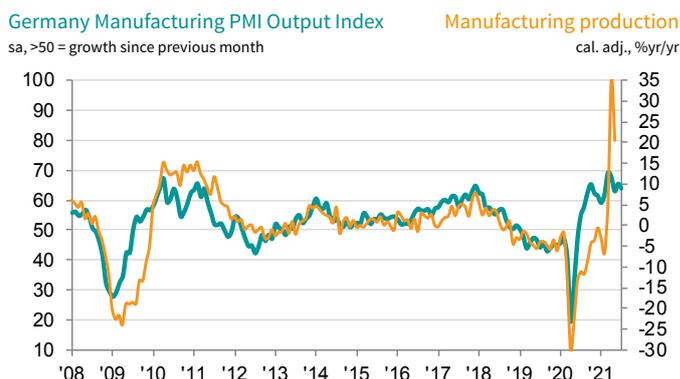
*"Suppliers' delivery times continued to lengthen substantially in July, though there were signs that supply pressures had peaked as the incidence of delays was the lowest in five months. But with overall demand for raw materials strengthening, input price inflation accelerated to a new survey record high. Consequently, the rate of output price inflation hit a new peak for the fifth month running."*

demand occurred despite new export order growth easing to a five-month low, although demand from Asia remained strong.

To meet rising demand and increase capacity, manufacturers expanded their workforces at the strongest rate ever recorded in July. The rate of job creation has gained momentum every month since employment began rising again back in March.

Output rose sharply overall during the month, but the rate of growth slowed since June and was the second-weakest of the past five months. This reflected severe ongoing supply chain disruption from raw material shortages and shipping delays. Consequently, backlogs of work rose at the second-fastest rate on record, and stocks of finished goods contracted sharply. Manufacturers expanded purchasing activity at one of the fastest rates to date in July, but supplier delays meant that pre-existing input stocks were depleted further to support production. Output expectations remained strongly positive, but sentiment moderated to the lowest in 2021 so far.

There was some evidence of reduced pressure on supply chains in July, with the incidence of longer lead times the smallest in five months. But with demand gaining further momentum, input price inflation accelerated to a new survey-record high for the second time in three months. Manufacturers continued to pass on higher costs to customers, with output price inflation also setting a new record high during July.



Sources: IHS Markit, Federal Statistical Office.

## Contact

Trevor Balchin  
 Economics Director  
 IHS Markit  
 T: +44-1491-461-065  
[trevor.balchin@ihsmarkit.com](mailto:trevor.balchin@ihsmarkit.com)

Joanna Vickers  
 Corporate Communications  
 IHS Markit  
 T: +44-2072-602-234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@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

Data were collected 12-23 July 2021.

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)

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### 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)