

IHS Markit / BME Germany Manufacturing PMI®

PMI at all-time high in March amid unprecedented growth in new orders and record supply delays

Key findings

Growth in output and new orders fastest since start of survey in April 1996

Supply delays worsen, putting further upward pressure on prices

Expectations remain positive, supporting rise in employment

Data were collected 12-24 March

Latest PMI® data showed a marked upswing in the pace of growth of Germany's manufacturing sector at the end of the first quarter, with goods producers reporting the steepest rises in new orders and output since the survey began in 1996. Growing pressure on capacity and strong confidence about the outlook meanwhile led to the first rise in sector employment in more than two years.

At the same time, however, the survey indicated a further deterioration in supply-side conditions, with March seeing unprecedented reports of input delivery delays which helped push cost inflation to the highest in over a decade.

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 – moved to an all-time high of 66.6 in March, up sharply from 60.7 in February and above the previous survey high in December 2017 (63.3).

The upturn in the manufacturing sector's performance was driven by survey-record growth in new orders. Surveyed businesses reported stronger demand for investment and intermediate goods in particular, though the consumer goods category also saw an improved performance on this front.

Growth of new export orders likewise reached a rate that was unprecedented in the survey's 25-year history, with panellists often commenting on higher new orders from Asia (especially China) and the US.

Production volumes were scaled up sharply as a result, with the rate of increase surpassing the previous record set in April 2010. Notably, however, the rate of growth was slower than that of new orders and the month saw a record increase in backlogs of work at factories. Post-production inventories fell for the tenth month in a row and at the fastest rate since June 2009, as many manufacturers

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:

"The German Manufacturing PMI marked its 25th anniversary in March with a record-high reading of 66.6, showing the goods-producing sector going from strength to strength.

"It was a record-breaking month on many fronts including new export orders, which have benefited from synchronised upturns in sales to the US and China and seen an unprecedented number of German manufacturers reporting growth.

"However, the Suez Canal blockage could not have come at a worse time, with more than three-quarters of German manufacturers already reporting increasing lead times on inputs in March, with the potential for those numbers to increase further given the backlog of containers it created and the anticipated congestion at ports in the coming days and weeks.

"We eagerly await the April flash PMI data to see the impact it will have, including on output prices, which were already rising more quickly than ever before in the series history due to a combination of acute cost pressures and an unabating upturn in demand."

sold from stock to meet demand.

The need to increase capacity saw German manufacturers expand workforce numbers for the first time since February 2019. The rate of growth of employment was solid, although it lagged well behind those of new orders and output.

There was also an accelerated increase in manufacturer's buying levels in March. Nevertheless, stocks of purchases were down for the eleventh month in a row, reflecting widespread reports of delays in the delivery of inputs.

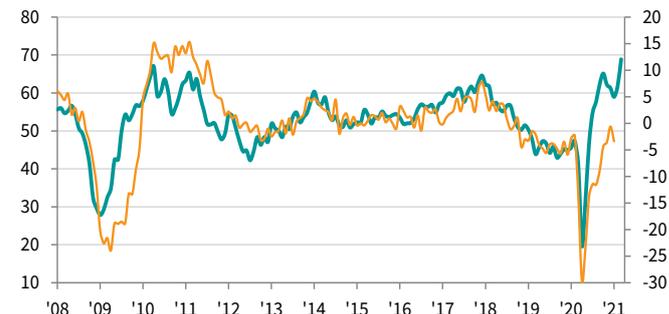
The survey found that 76% of manufacturers had seen average supplier delivery times lengthen in March, which was new a record for the series and up from the previous high of 64% in February. Delays often arose due to demand for raw materials and components outstripping availability, with electronics, plastics and steel among the items most commonly reported as in short supply. A dearth of shipping containers remained a factor.

Higher prices for commodities and other inputs ensued, with the rate of cost inflation accelerating sharply to the second-highest on record (behind that seen in February 2011).

The combination of rising costs and strong demand led to a steeper rise in factory gate prices in March. The rate of inflation on this front was in fact the quickest since this series began in September 2002.

Finally, manufacturers' expectations towards activity over the coming year remained strongly positive. That said, there was uncertainty among some firms about whether current levels of demand could be sustained, which was reflected in a slight drop in the overall degree of optimism from February's series high (since July 2012).

Germany Manufacturing PMI Output Index Manufacturing production
 sa, >50 = growth since previous month cal. adj., %yr/yr



Sources: IHS Markit, Federal Statistical Office.

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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.

Survey dates and history

March data were collected 12-24 March 2021.

Survey data were first collected April 1996.

Flash vs. final data

Flash data were calculated from 96% 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.

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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.).

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