

IHS Markit / BME Germany Manufacturing PMI®

PMI ticks up in June as output growth regains some momentum

Key findings

Growth of output and new orders accelerate for first time in three months

Supply shortages continue to hinder production and drive up costs

Factory gate price inflation accelerates to new record high

Data were collected 11-23 June

Germany's manufacturing sector showed an improved performance in June, with rates of output and new order growth accelerating for the first time in three months. Supply shortages remained a prominent feature of the survey, contributing to both a further build-up of backlogs of work and a fresh record rise in factory gate charges as costs continued to surge.

Looking ahead, firms' expectations for activity over the next 12 months ticked up to a new all-time high, with the positive outlook helping to support a sharp and accelerated rise in factory employment.

After slipping in each of the previous two months from a record high in March, 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 – regained some ground in June, rising from May's 64.4 to 65.1.

The uptick was largely driven by a faster rate of output growth, with intermediate goods producers noting the most improved performance since May. Surveyed firms often reported ramping up production to meet higher demand, though at the same time there were several mentions of supply shortages curbing output levels.

New orders likewise rose at a slightly quicker pace in June, having shown a loss of momentum though April and May. The rate of growth in new export orders also remained strong by historical standards, and was close to that of total new business.

German manufacturers reported another marked increase in backlogs of work at the end of the second quarter, with the pace of accumulation easing only slightly from May's series high. Stocks of finished goods meanwhile fell sharply in a further sign of new orders outstripping production levels.

The German manufactured sector continued to be hampered by supply issues, with a lack of available inputs and containers

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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:

"June's PMI survey pointed to an all-round better performance from the German manufacturing sector. Output growth has regained some momentum after back-to-back slowdowns in April and May, the pace of factory job creation has continued to pick up speed, and goods producers' expectations have ticked up to a new record high.

"It was also encouraging to see the survey's input cost index nudge lower from a record high in May, and we eagerly await July's survey for any further signs that cost inflation in the manufacturing sector may have peaked. It is notable, however, that factory gate charges continued to accelerate higher, supported by still-rising demand for goods, as firms continue to seek to pass higher costs on to customers.

"Seeing some easing in the rate at which suppliers' delivery times are deteriorating is also welcome news, and in part reflects the recent expansion of capacity which is helping bring supply and demand into better balance and should help ease supply-chain bottlenecks. However, demand-supply imbalances are still widespread, and it will take time for them to be fully resolved. What's more, renewed virus waves in Asia could lead to some further disruptions of global supply chains in coming months, which could in turn put further pressure on prices."

contributing to markedly longer lead times in June. The number of goods producers reporting slower average delivery times did, however, fall from a series record in May to the lowest for four months (although remained higher than at any other time prior to this).

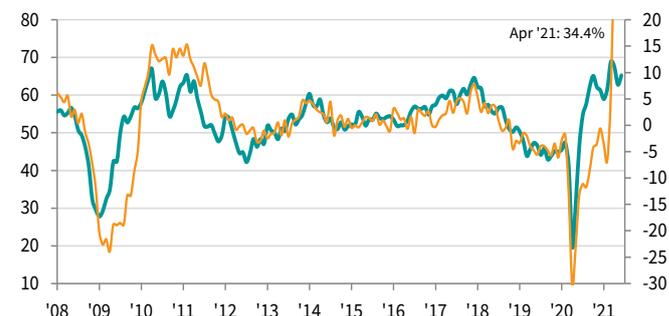
Delays in the receipt of inputs led to a further (albeit slower) reduction in stocks of purchases at German manufacturers in June, despite a near-record increase in buying levels during the month.

The shortfall in the availability of inputs relative to demand continued to put upward pressure on purchase prices in June. The rate of cost inflation eased slightly since May but was still the second-fastest in the series history by some margin. As well as reporting higher prices paid for range of materials and components that included electronics, metals (particularly aluminium and steel), plastics and timber, surveyed firms also highlighted the influence of increased transportation costs.

The rate of factory gate price inflation continued to gather pace in June, reaching a new record high for the fourth month in a row. Still, far fewer firms reported a rise in output charges (46%) than those that recorded higher input costs (84%).

Latest data indicated a slight improvement in manufacturers' expectations for activity over the next 12 months, taking the overall degree of optimism past the previous series high set in April. This strong confidence towards the outlook, together with a need to boost capacity, led to a further sharp rise in factory workforce numbers in June. Employment increased for the fourth month in a row and at the quickest rate since January 2018.

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



Sources: IHS Markit, Federal Statistical Office.

Contact

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

Joanna Vickers
 Corporate Communications
 IHS Markit
 T: +44-2072-602-234
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.

Survey dates and history

June data were collected 11-23 June 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.).

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 Internet: www.bme.de