

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Germany PMI®

German PMI drops to five-month low in November due to tightening of COVID-19 restrictions, but economy remains buoyed by manufacturing

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 52.0 (Oct: 55.0). 5-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 46.2 (Oct: 49.5). 6-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 62.7 (Oct: 65.1). 2-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 57.9 (Oct: 58.2). 2-month low

Data collected November 12-20

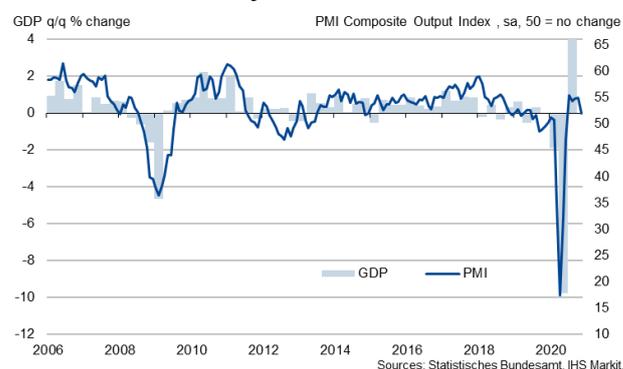
New lockdown measures to curb the spread of coronavirus disease 2019 (COVID-19) led to an accelerated decline in services activity across Germany in November, latest 'flash' PMI® from IHS Markit showed. However, the country's manufacturing sector continued to exhibit strong growth, helping to support overall economic activity.

Elsewhere, the recent progress in the development of COVID-19 vaccines saw business confidence towards future output perk up to the highest for over two-and-a-half years.

The **headline Flash Germany Composite Output Index** fell to its lowest for five months in November. However, at 52.0, from 55.0 in October, it remained comfortably above its level in the second quarter of the year during the initial lockdown phase.

Services business activity (index at 46.2) contracted for the second month in a row in November, with the rate of decline accelerating to the quickest seen since May amid closures across the hospitality and leisure industry. The manufacturing output index meanwhile remained elevated at 62.7, albeit down from October's peak of 65.1 – its first correction for seven months.

IHS Markit Germany Flash PMI



The dichotomy between manufacturing and services also extended to **new business**. Service providers recorded a marked drop in inflows of new work that was the steepest for six months, which they linked not only to the restrictions on activity, but also hesitancy amongst clients. By contrast, manufacturing order books extended their recent recovery, helped by rising exports sales, albeit with the data highlighting some loss of momentum in the rate of growth. Overall private sector new business rose marginally and at the slowest rate for five months.

Flash data pointed to a broad-based increase in firms' **expectations** for output in the year ahead. Buoyed in particular by growing hopes that an effective vaccine would bring about more normal operating conditions over the next 12 months, business confidence rose sharply to its highest since March 2018. Service providers recorded the most notable improvement in sentiment since October, though it was manufacturers who generally remained the most upbeat about the outlook.

Stronger business confidence in turn acted to support the labour market in November. Flash data

showed **payroll numbers** rising – albeit marginally – for the first time since February. The increase was driven by a modest round of hiring in the service sector, where some firms reported gearing up for potentially higher activity in the coming months. The drag from manufacturing job losses meanwhile continued to ease, with November seeing the slowest reduction in factory workforce numbers since June 2019.

The slowdown in manufacturing staff cuts was consistent with signs of growing capacity pressures at factories, with goods producers noting another notable rise in **work-in-hand** (i.e. orders received by not yet completed) in November. However, the decline in outstanding business across the service sector accelerated, leading the overall rate of backlog accumulation to slow since October.

Average prices charged for goods and services rose for the second month in a row in November. That said, the rate of inflation eased and was only marginal, with data also showing a slower rise in firms' input costs. However, this masked signs of strengthening inflationary pressures in the manufacturing sector, where factory gate charges increased to the greatest extent since May 2019 amid a solid and accelerated uptick in goods producers' purchase prices.

Comment

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

“As expected, the introduction of new lockdown measures in November to combat the spread of COVID-19 has had a disruptive impact on German economic activity, with the flash PMI data showing the service sector suffering its worst performance since May.

“However, the resilience being exhibited by the manufacturing sector, which the survey shows is benefitting for growing sales to Asia in particular, supports our view that any downturn in the final quarter is expected to be far shallower than those seen in the first half of the year.

“The positive news surrounding the development of COVID vaccines has helped lift the spirits among German businesses, many of which are now hoping for a return to normality over the next 12 months. This looks to have been a supportive factor in the latest employment figures, which show factory jobs numbers moving closer to stabilisation and services payrolls edging higher.”

-Ends-

For further information, please contact:

IHS Markit

Phil Smith, Associate Director
 Telephone +44-1491-461-009
 Email: phil.smith@ihsmarkit.com

Katherine Smith, Public Relations
 Telephone +1-7813-019-311
 Email katherine.smith@ihsmarkit.com

Note to Editors:

Final November data are published on 1 December for manufacturing and 3 December 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 ¹	0.0	0.4
Germany Manufacturing PMI ³	0.0	0.3
Germany Services Business Activity Index ²	-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.

Notes

- The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
- 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?"
- 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.
- 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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