

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

German private sector maintains modest pace of output growth in May

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 52.4 (Apr: 52.2). 3-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 55.0 (Apr: 55.7). 4-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 44.3 (Apr: 44.4). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 47.6 (Apr: 45.6). 3-month high.

Data collected May 13-22

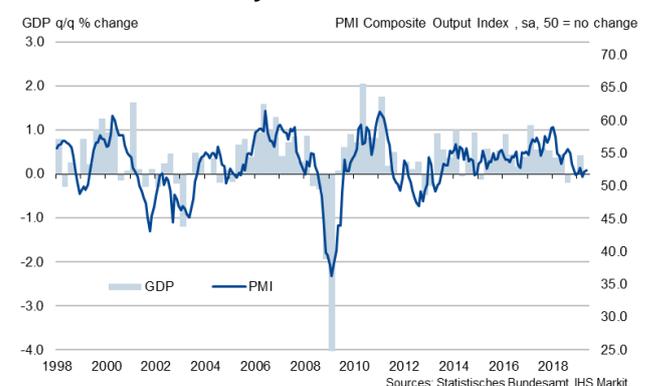
Business activity across Germany's private sector continued to grow at a moderate pace in May, according to the latest PMI® data from IHS Markit. The **IHS Markit Flash Germany Composite Output Index** – which is based on approximately 85% of usual monthly replies – registered a reading of 52.4, up slightly from 52.2 in April and its highest since February.

Other indicators weakened, however, with new orders falling for the fourth time in five months and employment growth easing to its lowest in just over three years in April. On the price front, latest data showed a slowdown in the rates of both input cost and output charge inflation.

The moderate rise in business activity in May was once again driven by the service sector, where output continued to rise at a relatively robust pace, albeit one that was the slowest in four months. Manufacturing output fell for the fourth month in a row, though the rate of decline slowed for the second month running and was the weakest since February.

Despite goods production falling at a slower rate, May saw the headline **IHS Markit Flash Germany Manufacturing PMI** tick down slightly from 44.4 in

IHS Markit Germany Flash PMI



April to 44.3, owing to negative influences from the employment, stocks of purchases and supplier delivery times components. Next to March's recent low, the latest PMI reading was the second-weakest in nearly seven years.

Turning to **new orders**, latest data showed a return to contraction following a brief uptick at the start of the second quarter. By sector, data signalled a slower increase of new business at service providers – the least marked since February – and a further notable (albeit slower) fall in manufacturing order books, which anecdotal evidence largely linked to lower demand across the car industry and the effects of customer destocking. Though remaining sharp overall, the rate of decline in **manufacturing export sales** eased for the second month running to the slowest since January.

The survey showed a seventh straight monthly decrease in **backlogs of work** in May. This continued to reflect the softening of capacity pressures across the manufacturing sector, where data showed a third straight monthly decrease in **employment**. Moreover, the rate of job losses at good producers gathered pace to reach the quickest since January 2013. With workforce growth also

easing in the service sector (albeit remaining strong overall), May's increase in total employment was the weakest since April 2016.

The recent slowdown in **input price inflation** resumed in May, with latest data showing the softest rise in business operating expenses for over two-and-a-half years. Driving this was a fall in manufacturing purchase prices – the first since June 2016. Service providers, by contrast, recorded another marked rise in costs, linked in large part to wage pressures.

The rate of **output price inflation** likewise eased in May, moderating to its weakest since July 2017. Factory gate prices rose at a modest pace that was close to April's 29-month low, while charges levied by service providers rose markedly by historical standards, but at the slowest rate for 12 months.

Finally, latest data showed a further weakening of firms' **year-ahead output expectations** to a 55-month low. Contrasting with the trend in recent months, however, the decrease in optimism in May was driven by the service sector, where confidence eased to its weakest in over three-and-a-half years. Manufacturers remained downbeat about the outlook, though they were the least pessimistic since January.

Comment

Commenting on the flash PMI data, **Phil Smith**, Principal Economist at IHS Markit said:

“At 52.4, the headline Germany PMI remains in modest growth territory in May, indicating that the economy is course to see sustained expansion in Q2 following the rebound of GDP in the opening three months of the year.

“May data for the service sector were slightly less punchy than in recent months, with business activity, new orders and employment all rising more slowly. Thankfully, the manufacturing indicators for output, orders book and export sales have all picked up further from their low points in the first quarter, albeit remaining among the weakest since 2012. However, goods producers' increased efforts to streamline workforces means that factory job numbers are now falling at the steepest rate in over six years.

“It is manufacturers who remain the most downbeat about the outlook amid lingering global trade tensions, though the survey highlights that fears of a slowdown may have started to spread to services, where confidence is now at its joint-lowest since 2014.”

-Ends-

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Note to Editors:

Final May data are published on 3 June for manufacturing and 5 June 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 <i>PMI</i> 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

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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