

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

Fourth wave of COVID-19 leads to a pause in Germany's economic recovery in December

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 50.0 (Nov: 52.2). 18-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 48.4 (Nov: 52.7). 10-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 53.2 (Nov: 51.4). 3-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 57.9 (Nov: 57.4). 3-month high.

Data collected December 6-14

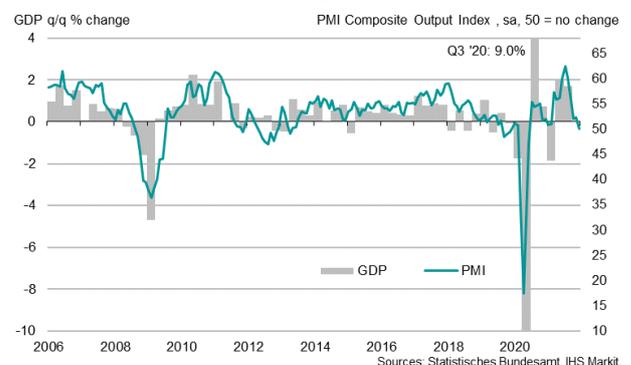
The German private sector's recovery came to a halt in December amid efforts to contain the latest wave of COVID-19 infections, flash PMI® data from IHS Markit showed. Business activity in the service sector declined for the first time in eight months, however there was support to overall output from an uptick in manufacturing growth.

Elsewhere, the survey data pointed to rates of inflation in input costs and output charges easing slightly from the multi-year highs seen in November. Business expectations meanwhile improved, buoyed by hopes that supply-chain issues and pandemic-related restrictions on activity would fade over the coming year.

The **headline Flash Germany PMI Composite Output Index** registered 50.0 in December, down from 52.2 in November and its lowest for 18 months. The latest reading was indicative of no change in activity but masked divergent trends at the sector level.

Services activity came under renewed pressure in December from the fourth wave of coronavirus and associated restrictions, falling for the first time in eight months and to the greatest extent since

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February. Manufacturing production, on the other hand, showed the strongest growth for three months. Underlying data showed signs of the drag on factory output from supply-chain bottlenecks easing slightly, with incidences of input delivery delays at their least widespread since January.

Overall inflows of **new business** decreased in December, thereby ending a sequence of growth stretching back to July last year. Weakness in demand was centred on the service sector, where the decline in intakes of new work gathered pace to the fastest since April. New orders received by manufacturers continued to rise, although the rate of growth was the weakest in the current 18-month sequence of expansion.

Turning to prices, December's flash survey data indicated sustained strong inflationary pressures. That said, the rates of increase in overall **input costs** and **output prices** retreated slightly from the all-time highs seen in November, owing to slower rises across both monitored sectors. Price pressures remained particularly acute in the manufacturing sector, although the latest increases in factory input costs and output prices were the least marked for

eight and seven months respectively.

Business expectations towards the year-ahead outlook for activity improved for the first time in six months in December. Having hit a 13-month low in November, overall business confidence rebounded to the highest since August. The uptick was predominantly driven by greater positivity among services firms, who cited hopes that the pandemic would fade over the course of next year. Manufacturing optimism also improved – albeit only slightly – to its highest for four months, with goods producers buoyed by full order books and the prospect of easing supply-chain constraints.

Positive growth projections supported a continued rise in private sector **employment** levels in December. The rate of job creation even picked up slightly from November's seven-month low and continued to far outstrip the pre-pandemic historical average. A marked and accelerated rise in factory workforce numbers offset a moderation in service sector employment growth.

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

“The German economic recovery was stopped in its tracks in December by the resurgence of the pandemic, as renewed restrictions and increased uncertainty dampened activity across the country’s service sector.

“However, despite the somewhat gloomy headline number, there were a number of more positive takeaways from December’s flash survey, including an uptick in manufacturing growth and resilient business confidence. Goods production showed its strongest increase for three months, which coincided with a drop in the number of reports of longer lead times on inputs to the lowest since January. Any disruption to supply chains from the emergence of the Omicron variant seems to have been limited so far, although its impact may not have filtered through yet and the situation has the potential to change quickly if more cases start to appear, particularly in ‘zero-COVID’ policy economies.

“A rise in business expectations indicates that companies are looking past any current disruption to a brighter outlook in 2022, when it is expected that the pandemic will become less of an issue and supply-chain constraints will ease. As such, firms are gearing up for strong growth next year and continuing to add to payroll numbers at a historically strong rate.

“Price pressures continue to run extremely hot, but December’s survey has at least offered the first indication that inflation might have peaked as rates of increase in input costs and output prices eased slightly from November’s multi-year highs.”

-Ends-

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Note to Editors:

Final December data are published on 3 January for manufacturing and 5 January 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> ²	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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