

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CET) / 0830 (UTC) 24 January 2022

IHS Markit Flash Germany PMI®

German economy shows resilience at the start of 2022

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 54.3 (Dec: 49.9). 4-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 52.2 (Dec: 48.7). 2-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 58.4 (Dec: 52.1). 5-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 60.5 (Dec: 57.4). 5-month high.

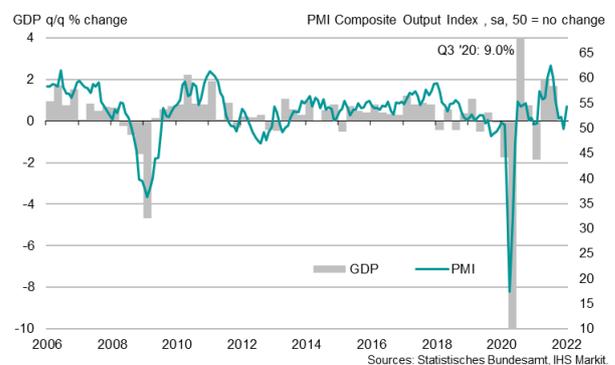
Data collected January 12-20

January's 'flash' PMI® data from IHS Markit indicated an upturn in business activity across the German economy, led by a stronger performance from the country's manufacturing sector as supply bottlenecks showed further tentative signs of easing. Price pressures remained elevated, however, with the rates input cost and output charge inflation staying close to recent record highs.

January saw the **headline Flash Germany PMI Composite Output Index** tick up to 54.3 from December's 18-month low of 49.9, to signal solid growth in business activity across the private sector after a slowdown at the end of 2021. The upturn was led by the manufacturing sector, which recorded its strongest performance on the production front for five months as the incidence of lengthening lead times on inputs eased to the lowest since December 2020 (although it remained high by historical standards).

After contracting in December, as activity was hit by a resurgence in the pandemic and the initial re-tightening of restrictions, the service sector staged a slight recovery in January. At 52.2, up from 48.7, the Services Business Activity Index was indicative of a modest rate of growth, though it was still at its second-lowest level in the past nine months.

IHS Markit Flash Germany PMI



The goods-producing sector drove a renewed increase in **new orders** at the start of the year. Overall inflows of new business showed the strongest rise since last September as manufacturing order books expanded markedly and to the greatest extent for five months. There was a slightly better month of new business across the services sector as well, with demand improving somewhat after falling in each of the previous two months. New export business received by services firms continued to fall, however, hinting that the upturn here was driven by the domestic market.

Backlogs of work across the private sector increased at a slightly faster rate in January, the quickest for three months. The result reflected an acceleration in the rate of accumulation at services firms, although the quicker increase overall (by some margin) continued to be seen in the manufacturing sector.

On the labour market front, January's survey showed a solid and slightly accelerated rise in private sector **employment**, with the rate of job creation continuing to far exceed the historical series average. Workforce growth quickened across both monitored sectors, but most notably in manufacturing where it

reached a six-month high as efforts to expand capacity were stepped up.

January data signalled improved **expectations** towards future activity. The increase in overall business confidence owed exclusively to the manufacturing sector, where growth projections for the year ahead were the most positive since last June, reflecting easing supply-chain concerns and hopes of stronger demand as the Omicron wave of COVID-19 subsides. Service sector expectations meanwhile ticked down slightly from December's four-month high but remained comfortably above the long-run average.

Any concerns among businesses towards the outlook were often related to strong price pressures. The overall rate of **input cost inflation** ticked up fractionally in January and was among the fastest on record (exceeded only by those in June, August, October and November last year). The service sector recorded an intensification of cost pressures, with energy, fuel, wages and materials all cited as sources of input price inflation. The rate of increase in manufacturing purchase prices meanwhile slipped to a nine-month low, but it was still faster than at almost any time in the series history prior to May last year.

Turning to **output prices**, the rate of inflation in January was second only to that recorded in November last year. Indeed, both monitored sectors saw faster increases in charges, with goods prices continuing to rise particularly sharply.

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

“January’s flash PMI numbers came in comfortably above consensus to show a surprisingly resilient performance from the German economy at the start of the year, buoyed in particular by strong factory output growth.”

“Manufacturing is expected to stage a recovery in 2022 as supply bottlenecks ease, but seeing growth of this speed already is a welcome development. The drag on production from supply-chain issues looks to have eased further, although there is still a lot of room for improvement on this front.”

“January’s services numbers, showing activity recovering slightly after the decline at the end of last year, were another positive surprise, and are perhaps evidence that German businesses and consumers alike are learning to cope with COVID and any associated restrictions. All in all, the data mark a positive start to the year and go some way to allaying fears about Omicron’s impact on the German economy in the first quarter.”

“Still, rising costs remain a concern for businesses, with the survey data showing that input prices are continuing to rise sharply and on multiple fronts.”

-Ends-

For further information, please contact:

IHS Markit

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

Joanna Vickers, Corporate Communications
 Telephone +44-207-260-2234
 Email joanna.vickers@ihsmarkit.com

Note to Editors:

Final January data are published on 1 February for manufacturing and 3 February 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> ^β	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?"

About IHS Markit (www.ihsmarkit.com)

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2022 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).

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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Flash Germany *PMI*[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.