

# IHS Markit / BME Germany Manufacturing PMI®

## PMI slips to six-month low in August as supply shortages constrain production

### Key findings

Survey's output Index falls to its lowest since August 2020

New orders continue to rise sharply, albeit also at a slower pace

Cost pressures remain historically elevated

Data were collected 12-23 August 2021.

German manufacturers struggled to keep pace with demand in August due to constraints posed by supply shortages, latest PMI® data showed, with output growth falling behind that of new orders to the greatest extent in the survey's history.

Goods producers' optimism about growth prospects in the coming year meanwhile waned, with elevated price pressures playing a part. Ongoing efforts to expand capacity saw factory employment rise for the sixth straight month, though the number of firms taking on additional staff eased from July's record.

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 – signalled a loss of momentum in the goods-producing sector in August. At 62.6, down from 65.9 in July, the latest reading was the lowest since February (albeit still well above the 50.0 no-change threshold).

The greatest drag on the headline index was from the output sub-component, which fell more than five points to its lowest since August 2020. Anecdotal evidence indicated that firms' efforts to raise production in line with demand were often hampered by raw material and component shortages.

Though also easing in August, down to its lowest for three months, the rate of new order growth remained sharp by historical standards and exceeded that of output by the greatest margin in the series history since 1996. A softer increase in new export orders was also recorded by the survey.

Supply bottlenecks were a prominent feature of the survey data once again in August, with the effects seen in rising backlogs of work, falling stock levels and acute price pressures.

Around 61% of manufacturers recorded longer average lead-times on purchases in August. This was down further from a peak of nearly 79% in May, though the deterioration in vendor performance was

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:

"While we continue to see strong demand for German goods, with growth in new orders still among the highest on record, production levels are being constrained as manufacturers grapple with supply chain problems. According to August's data, growth in output has now fallen behind that of new orders to an extent previously unseen in over 25 years of data collection.

"Supply-demand imbalances continue to push up costs at a historically elevated rate, and concerns that higher prices could discourage customers is one of the factors that has seen manufacturers' expectations for future output fade to the lowest since last October.

"Still, many goods producers are hopeful that conditions will have improved come next summer, and a further steep rise in employment levels shows that efforts are still being made to expand capacity and prepare for higher output in the future."

still greater than at any time in the survey history prior to March.

Work-in-hand (i.e. orders received but not yet completed) at manufacturers rose sharply in August, despite the rate of accumulation moderating to a six-month low. Stocks of finished goods meanwhile fell markedly as many firms used inventory to meet demand.

Stocks of inputs also decreased, though the rate of depletion was only modest and the weakest for 14 months. Firms in August often reported over-purchasing inputs in order to secure future supply (and also in anticipation future price increases), with the overall result being a further sharp – albeit slightly slower – rise in buying levels.

Sellers' market conditions persisted in August due to ongoing supply-demand imbalances, resulting in another round of sharp price increases. The rate of input cost inflation edged down only slightly from July's all-time high. There was a more notable slowdown in the rate of output price inflation, though even here the rate of inflation was the third-fastest on record (since 2002).

Manufacturers' optimism towards future activity was eroded somewhat by supply-chain issues and associated price pressures, easing to the lowest since last October (though still above the series average since 2012).

August meanwhile saw the pace of job creation ease for the first time since employment started to recover in March. Nevertheless, down from a record high in July, the latest increase in factory workforce numbers was strong by historical standards, with many firms looking to expand capacity.

## Germany Manufacturing PMI Output Index

sa, >50 = growth since previous month

## Manufacturing production

cal. adj., %yr/yr



Sources: IHS Markit, Federal Statistical Office.

## Contact

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

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44-2072-602-234  
[joanna.vickers@ihsmarkit.com](mailto: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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 12-23 August 2021.

Survey data were first collected April 1996.

### Flash vs. final data

Flash data were calculated from 94% 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](https://ihsmarkit.com/products/pmi.html)

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### About BME

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](mailto:frank.roesch@bme.de) Internet: [www.bme.de](http://www.bme.de)