

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

Germany PMI points to increasing signs of life in economy

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 45.8 (May: 32.3). 4-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 45.8 (May: 32.6). 4-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 44.6 (May: 36.6). 3-month high
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 45.8 (May: 31.7). 4-month high.

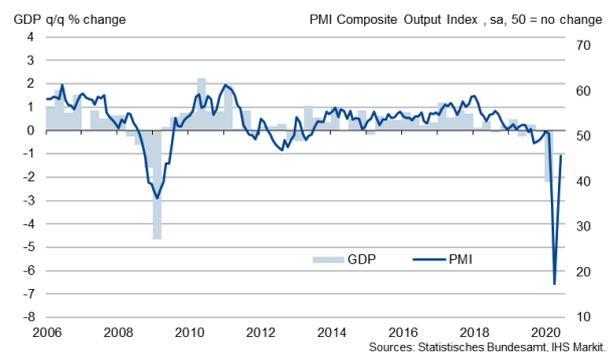
Data collected June 12-22

June's flash PMI® data pointed to further signs of a turnaround in the German economy following a record downturn in activity earlier in the second quarter. At 45.8, the **headline Germany Composite Output Index** was up sharply from May's 32.3 and the highest in four months, with the survey highlighting the effects of easing lockdown restrictions and also indicating an improvement in business confidence.

Latest data showed business activity edging closer to stabilisation, down to the smallest extent by far since start of the coronavirus disease 2019 (COVID-19) outbreak in March. Results at the sector level showed identical rates of decline in services business activity and manufacturing production.

Where activity fell since May, there were reports of coronavirus-related uncertainty continuing to weigh on demand and leading to contract postponements or cancellations. That said, there were growing reports of businesses resuming operations, with some firms also noting pent-up demand. As such, the latest decline in **new orders** was the shallowest in the current four-month sequence. **New export business** also showed signs of steadying, though the rate of decline remained faster than that of total new orders.

IHS Markit Germany Flash PMI



Pressure on business capacity remained low during June, as highlighted by a further sharp drop in **backlogs of work**. Firms thereby remained in retrenchment mode, reducing **payroll numbers** for the fourth month in a row, albeit with the rate of job losses easing further from April's survey record to the weakest in the current sequence. The decline in employment continued to be led by the manufacturing sector, where the pace of staff shedding eased to much a lesser extent than in services.

Elsewhere, latest data pointed to ongoing price discounting across Germany's private sector in June. **Average charges for goods and services** were down for the fourth month in a row amid reports from surveyed businesses of fierce competition for new work. Underlying data showed signs of an increasing squeeze on margins across the service sector in particular, where **input costs** rose modestly and for the first time in three months. This contrasted with a further sharp (albeit slower) drop in manufacturers' purchase prices.

Business expectations turned positive for the first time in four months in June. The improvement reflected renewed optimism in both monitored

sectors, with service providers slightly more positive about the outlook than their manufacturing counterparts. That said, in both cases sentiment remained subdued by historical standards.

Lastly, June saw the **Flash Germany Manufacturing PMI** register a three-month high of 44.6, up from May's 36.6 and representing a sustained recovery from an 11-year low in April. There was upward pressure on the index from slower falls in new orders, output and employment. However, its rise was stymied by a faster drop in stocks of purchases and – more notably – a stabilisation of supplier delivery times, following the recent COVID-19-related supply chain disruption.

Comment

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

“June’s flash survey shows the PMI rebounding further from April’s low point and moving to its highest since before the start of the coronavirus outbreak, amid increasing signs of life across the German economy.”

“However, while the loosening of lockdown restrictions has had a positive effect on some parts of the economy, the PMI’s latest reading is still within contraction territory, which shows this is likely to be a protracted recovery as coronavirus-related disruption and uncertainty continue to weigh on demand.”

“There was no separating manufacturing and services in terms of output trends in June, with both seemingly over the worst but far from firing on all cylinders. Firms are starting to feel a bit more bullish about the outlook, but even so there are concerns for the labour market, with the pace of factory job losses hardly letting off in June.”

-Ends-

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Note to Editors:

Final June data are published on 1 July for manufacturing and 3 July 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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