

News Release

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S&P Global / BME Germany Manufacturing PMI®

Manufacturing production falls in April as factory gate price inflation accelerates to new record high

Key findings

Supply disruption and weaker demand weigh on output

Soaring costs drive unprecedented rise in prices charged

Goods producers remain pessimistic about the outlook

German manufacturers began the second quarter on a weaker footing, with the war in Ukraine and COVID-19 lockdowns in China taking a toll on both demand and supply chains. Output levels at factories decreased in April as good producers faced a drop in new orders and worsening delays on inputs.

Adding to the situation, cost pressures moved closer to last year's record highs, leading to an unprecedented increase in factory gate charges. Manufacturers were pessimistic about the year-ahead for output, and slightly more so than in the previous month.

April saw the headline seasonally adjusted S&P Global / BME Germany Manufacturing Purchasing Managers' Index® (PMI®) – a weighted aggregate of new orders, output, employment, suppliers' delivery times and stocks of purchases – drop from 56.9 in March to a 20-month low of 54.6. The latest figure was above the 50.0 no-change threshold thanks to growth in both employment and stocks of purchases, as well as a further marked lengthening of supplier delivery times.

The headline PMI masked sub-50 readings for both the output and new orders components. Production fell into contraction for the first time since June 2020 amid reports of materials shortages and reduced demand. The decline in new orders was likewise the first since mid-2020 and in part reflected a deepening downturn in export sales, with firms highlighting the impact of the war in Ukraine, economic sanctions on Russia and renewed COVID-19 containment measures in China.

These factors not only weighed on demand but also served to increase pressure on supply chains, with the incidence of delays on inputs increasing to the highest since November last year.

Accordingly, there was a further intensification of cost pressures across the German manufacturing sector at the start of the second quarter. The rate of input price inflation quickened for the second month running to the highest in 2022 so far, as businesses felt the impact of increases in the cost of energy, transportation and raw materials.

Soaring costs led to a sharp and accelerated rise in factory gate

Germany Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 11-22 April 2022.

Comment

Phil Smith, Economics Associate Director at S&P Global, said:

"Germany's manufacturers are facing an unwanted combination of soaring price pressures and falling activity, as the war in Ukraine and COVID lockdowns in China disrupt supply chains and hit demand."

"The survey's output index is now in contraction territory for the first time since the initial COVID shutdowns in the first half of 2020, with a similar situation for new orders hinting that this not just a supply problem but also evidence of slowing demand for goods."

"While factory employment continues to rise, and at a robust pace, it would seem that it's only a matter of time before the weakened trends in output and new orders start to feed through to hiring activity, especially given manufacturers' gloomy assessment of the outlook."

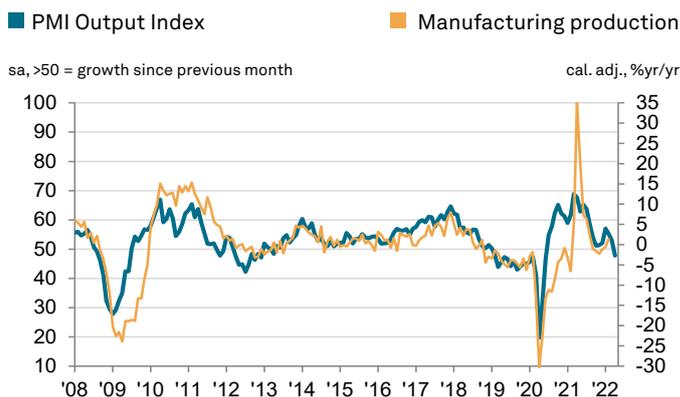
"It's early days yet, but it's already looking like manufacturing will be a drag on the economy in the second quarter, and the prospect of more lockdowns in China and any escalation of the energy crisis would only serve to increase this risk."

charges in April as manufacturers sought to protect margins where possible. The rate at which output prices increased was by far the quickest in the series history, accelerating well beyond the previous peak seen last November.

Many firms looked to mitigate against supply delays and potential future price increases by buying more inputs and building up safety stocks. As such, pre-production inventories rose steeply and for the seventh month in a row in April. This contrasted with a renewed (albeit only slight) decline in stocks of finished goods, which a number of firms reported using to meet demand. Indeed, ongoing supply constraints saw backlogs of work at manufacturers continue to rise, albeit with the rate of accumulation easing further from the record highs seen in 2021.

Goods producers once again reported an increase in employment in April. The pace of job creation was robust by historical standards and even picked up slightly since March, although it was still one of the weakest seen over the past year.

The war in Ukraine, and the associated economic and geopolitical fallout continued to weigh heavily on manufacturers' confidence in April, with firms showing concern over rising prices, supply disruption and hesitancy among customers. After plummeting in March, expectations turned increasingly negative and were the lowest overall since May 2020.



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Survey methodology

The S&P Global Germany Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 420 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1996.

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.

Flash vs. final data

Flash data were calculated from 93% 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.

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