

Embargoed until 0955 CET (0855 UTC) 3rd December 2021

IHS Markit Germany Services PMI®

Including IHS Markit Germany Composite PMI®

Activity rises in November, but near-term growth prospects looking increasingly fragile

Key findings

New business falls as fourth COVID wave takes hold

Firms' expectations slip to 12-month low

Rates of input cost and output price accelerate to new highs

Data were collected 12-25 November 2021.

Germany's services firms recorded another moderate rise in business activity in November following a similar result in October, with the sector's growth having slowed notably since the third quarter. Near-term prospects also dimmed, as a fourth wave of COVID infections saw inflows of new business fall whilst also dampening business confidence.

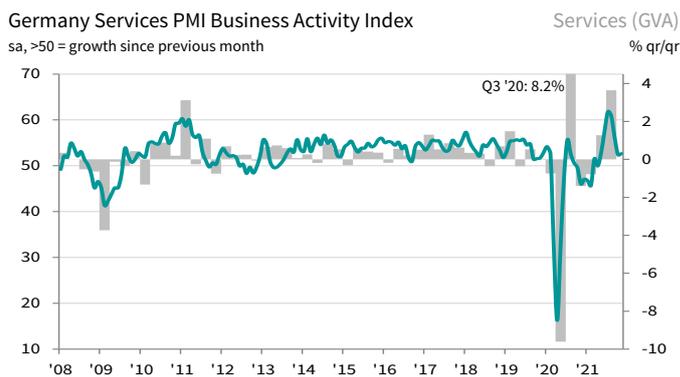
Latest data meanwhile showed a further squeeze on purchasing power in the economy, with services output prices rising at a new record rate in November as firms faced increased pressure from surging costs.

The headline seasonally adjusted IHS Markit Germany Services PMI® Business Activity Index – which is based on a single question asking how business activity has changed from the previous month – registered 52.7 in November. This was up slightly from October's six-month low of 52.4 but nevertheless the second-lowest reading since the sector returned to growth in May following the third wave of infections.

Growth was predominantly maintained thanks to a sustained upturn in the Renting & Business Activities sector. This masked downturns in other areas, including Hotels & Restaurants.

After a six-month period of recovery, inflows of new work at services firms showed a renewed – albeit marginal – decline in November. Panellists often indicated greater reluctance among clients due to a resurgence in the pandemic, while supply chain issues were cited as another headwind. The fall in new business included a drop in demand from abroad.

With inflows of new work declining, some firms were able to maintain activity levels to a degree by tackling their backlogs



of work. This led the overall level of outstanding business to fall for the first time since March.

Service providers' optimism towards the outlook faded somewhat in November. Overall, expectations were the lowest since the penultimate month of 2020. The drop in confidence was most notable in the Hotels & Restaurants category. Alongside worries related to the fourth wave of COVID-19 infections, rising costs were also a concern for businesses.

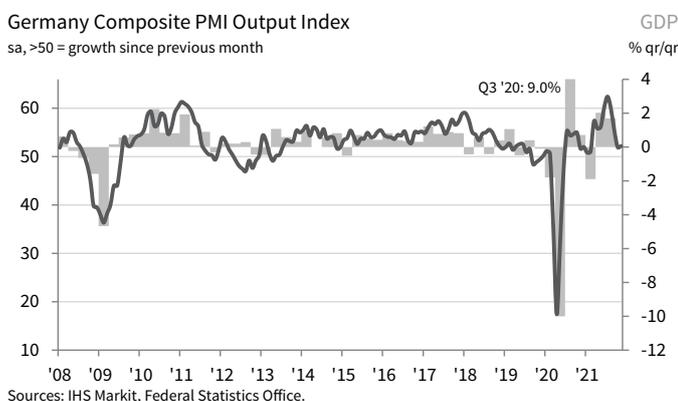
The overall rate of input price inflation across the service sector accelerated sharply to a new record high in November. Surveyed firms cited the influence of rising energy bills, alongside growing wages and higher fuel and materials costs.

This intensification of cost pressures fed through to service providers' output prices, which likewise jumped sharply in November to set a new record rate of increase. Transport & Storage firms reported a particularly steep rise in charges, while output price inflation across consumer-facing sectors went against the general trend.

Lastly, November's survey indicated another robust increase in service sector employment, thereby extending the current upturn to 17 months. The pace of job creation was little-changed from October and continued to far exceed the historical series average.

IHS Markit Germany Composite PMI®

Growth remains subdued, while price pressures continue to rise



The rate of business activity growth across Germany's private sector remained only modest in November. The seasonally adjusted Germany Composite PMI Output Index registered 52.2, up slightly from October's eight-month low of 52.0 but still below its historical series average (53.1).

The composite index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index*.

Services recorded a slightly quicker increase in activity than manufacturing. However, neither sector gained any notable momentum since October as overall demand for goods and services showed signs of plateauing.

Both sectors did however see accelerations in output price inflation to new record highs, driven by sharp underlying cost pressures.

There was also another notable rise in private sector employment, owing mainly to a robust round of job creation across the services economy.

Finally, expectations towards the outlook dropped to a 13-month low in November. This was driven exclusively by a loss of confidence among service providers, with manufacturers' optimism having increased since the previous month.

Comment

Phil Smith, Economics Associate Director at IHS Markit, which compiles the survey:

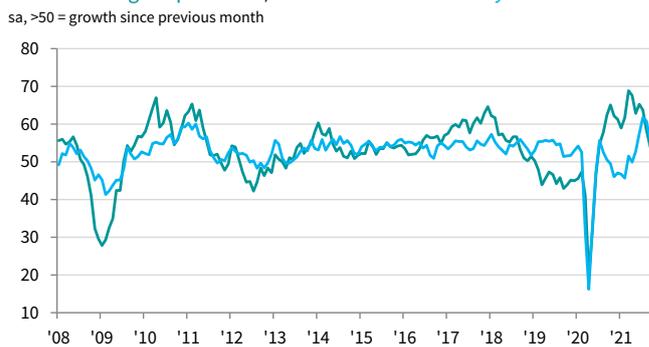
"Germany's service sector was able to eke out further modest growth in November, but the survey's forward-looking indicators gave reason for concern. Inflows of new work and business confidence were already in decline in November thanks to the fourth wave of coronavirus, and now the Omicron variant brings added uncertainty and a risk of tighter virus containment measures.

"Given what we've seen in the survey data so far and the potential new risks posed by the Omicron variant, the economy is, at best, set for a notable slowdown in growth in the final quarter.

"The survey data showed a further intensification of inflationary pressures in November driven by a surge in energy costs, with service providers joining manufacturers in recording an unprecedented rise in prices. This was despite signs of inflation already easing across consumer-facing sectors.

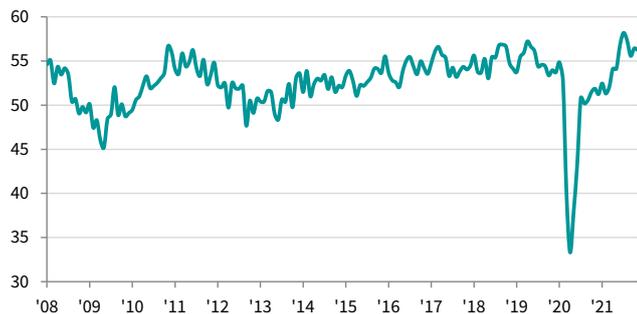
"Another strong round of hiring across the service sector in November maintained the labour market's solid pace of recovery. However, with recruitment tending to lag movements in activity and underlying demand, we can reasonably expect the pace of job creation to slow in line with weaker economic growth and lower business confidence."

Manufacturing Output Index / Services Business Activity Index



Germany Services PMI Employment Index

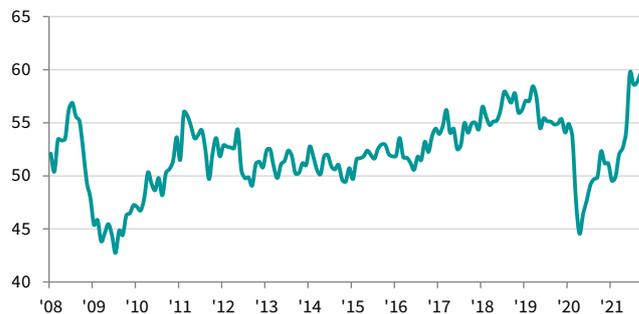
sa, >50 = growth since previous month



Source: IHS Markit.

Germany Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

Contact

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

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

Survey methodology

The IHS Markit Germany Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. 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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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.

Survey dates and history

Data were collected 12-25 November 2021.

Survey data were first collected June 1997.

Flash vs. final data

Flash services data were calculated from 87% of final responses. Flash composite data were calculated from 89% of final responses.

Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.6 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is 0.0 (0.4 in absolute terms).

Disclaimer

The intellectual property rights to the data 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.

About IHS Markit

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 © 2021 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 BME

BME is the German Association for Materials Management, Purchasing and Logistics, founded in 1954. It provides services for around 9000 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME promotes a dialogue between business 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

Frank Rösch E-Mail: frank.roesch@bme.de Internet: www.bme.de

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