

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) 21 May 2020

IHS Markit Flash Germany PMI®

Decline in German business activity eases in May

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 31.4 (Apr: 17.4). 2-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 31.4 (Apr: 16.2). 2-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 36.8 (Apr: 34.5). 2-month high
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 31.5 (Apr: 19.7). 2-month high.

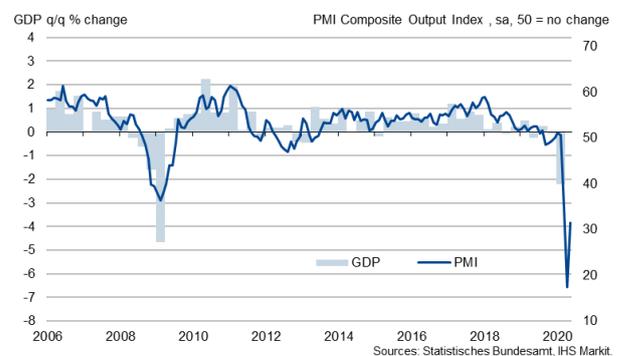
Data collected May 12-20

Business activity continued to fall across Germany's private sector in May, latest PMI® survey data from IHS Markit showed, albeit with the rate of decline easing from the record pace seen in April. Meanwhile, despite being less pessimistic about the outlook, firms continued with further steep job cuts and discounting of prices charged for goods and services.

The headline **Flash Germany Composite PMI Output Index** recorded a reading of 31.4 in May, up sharply from April's record low of 17.4 but still the second-lowest figure since comparable data were first compiled in 1998. Underlying data showed similarly steep falls in manufacturing production and services business activity, though in both cases the rates of contraction were discernibly slower than in April amid the reopening of parts of the economy.

In the majority of cases lower activity was attributed to restrictions on business operating capacity and reduced demand, linked in turn to the coronavirus disease 2019 (COVID-19) outbreak. Indeed, firms across both monitored sectors reported sustained (albeit much slower) downturns in **inflows of new business** in May, with **export sales** showing particular weakness.

IHS Markit Germany Flash PMI



A continued lack of new business led to another sharp monthly decline in **backlogs of work** across the German private sector in May. As such, firms maintained a preference for lower workforce numbers, resulting in a third straight monthly decrease in **employment**. The rate of decline eased from the record pace seen April, though less so than was the case for both output and new orders amid an acceleration in factory job losses to the quickest for 11 years. Alongside reports of staff redundancies and cuts to temp and contractor numbers, there was further evidence of the use of short-time work.

Firms across Germany's private sector remained in discounting mode in May as they looked for ways to stimulate demand, with **average prices charged for goods and services** falling for the third month in a row. The decline, which was underpinned by similarly solid reductions across both monitored sectors, was slightly weaker than in April, however.

Scope for lower output prices was provided by a further fall in firms' **input costs**, the third in as many months and one of the steepest seen since 2009. The decline continued to be led by a sharp fall in manufacturing purchase prices, which panellists

linked to supplier discounting and lower commodity prices. May meanwhile saw a further payroll-related reduction in services firms' operating expenses, with the rate of decline remaining modest overall but nevertheless accelerating to the quickest in more than a decade.

The easing of lockdown restrictions and growing hopes of a recovery in domestic and international demand saw the survey's measure of future output improve further from March's series record low. That said, **business sentiment** remained firmly in negative territory and lower than at any point prior to March (since this particular series began in July 2012). Manufacturers remained more downbeat about the longer-term outlook than their service sector counterparts.

Lastly, the **Flash Germany Manufacturing PMI** ticked up from an 11-year low of 34.5 in April to 36.8 in May. The rise in the index – which reflected slower falls in output and new orders – was softened by a combination of a steeper decline in employment, a renewed fall in stocks of purchases and a less marked increase in supplier delivery times.

Comment

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

“Any hopes of a swift pick-up in activity across the German economy following the easing of lockdown restrictions have been somewhat dashed by May's flash PMI survey, which shows activity down again across both the manufacturing and service sectors.

“The rate of decline in activity has eased considerably since the peak of virus containment measures in April, but we are still a long way off business as usual and the path to recovery remains unclear.

“With demand expected to remain below ‘normal’ levels for quite some time, firms are continuing to cut workforce numbers at a worrying rate in order to better align capacity with current conditions. The scale of job losses is a key risk to the longer-term outlook.”

-Ends-

For further information, please contact:

IHS Markit

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

Katherine Smith, Public Relations
Telephone +1-7813-019-311
Email katherine.smith@ihsmarkit.com

Note to Editors:

Final May data are published on 1 June for manufacturing and 3 June 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?"

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 © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@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.