

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Germany PMI<sup>®</sup>

### Stronger services growth masks deepening downturn in manufacturing

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 52.7 (52.1 in Jan). 4-month high.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 55.1 (53.0 in Jan). 5-month high.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 47.6 (49.7 in Jan). 74-month low.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 48.0 (50.3 in Jan). 74-month low.

Data collected February 12-20

Stronger growth in Germany's service sector drove an increase in overall business activity across the eurozone's largest member state in February, according to the latest PMI<sup>®</sup> data from IHS Markit. However, the country's outwardly-focussed manufacturing sector slipped further into contraction as export orders fell to the greatest extent for over six years.

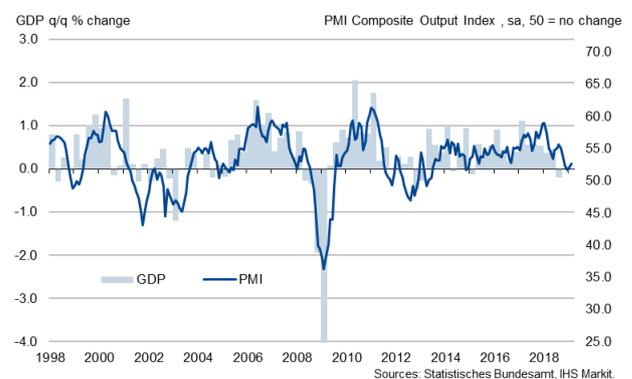
Elsewhere, employment growth remained solid midway through the opening quarter of the year, while there was a broad-based softening of inflationary pressures.

The **IHS Markit Flash Germany Composite Output Index** registered a reading of 52.7 in February, up from 52.1 in January and its highest since last October. Nevertheless, the index continued to point to one of the slowest rates of growth seen over the past five-and-a-half years.

Whereas the pace of expansion in service sector business activity accelerated to the quickest in five months, manufacturing output slipped into contraction, falling for the first time since April 2013 and at the quickest rate in over six years.

The **IHS Markit Flash Germany Manufacturing PMI** dropped to a 74-month low of 47.6 in February.

#### IHS Markit Germany Flash PMI



As well as the contraction in output, the fall in the headline manufacturing index also reflected negative contributions from the new orders, stocks of purchases and supplier delivery times components, with the latter showing the first decrease in input lead times for almost three years in February.

Latest data showed a decrease in overall **inflows of new business** for the second consecutive month, with the rate of decline little-changed from the modest pace recorded in January. Weakness in demand was centred on the manufacturing sector, where order books showed the steepest fall for six-and-a-half years amid a further sharp drop in exports. Surveyed businesses continued to report lower orders from the autos sector, whilst also highlighting a fall in demand from Asia (in particular China) linked to ongoing trade tensions and growing competitive pressures within Europe.

**Backlogs of work** fell only marginally in February and at the slowest rate in the current four-month sequence of decline. A rise in outstanding business in the service sector – the first in three months – contrasted with a solid and accelerated reduction in manufacturers' work-in-hand.

Despite pressure on capacity in the manufacturing sector continuing to ease, goods producers – like their service sector counterparts – remained in hiring mode in February. **Employment growth** across the two sectors combined was at its highest since October last year, led by a steeper rise in services workforce numbers.

Owing exclusively to an improvement in optimism among service providers, overall **business confidence** strengthened to its highest for five months in February. Manufacturers meanwhile remained downbeat about the outlook for business activity over the next 12 months, with expectations dipping to their lowest in over six years.

Elsewhere, the survey's measures of input and output prices showed a general softening of inflationary pressures in February. **Average prices charged** rose at the slowest rate for 19 months, with the rate of factory gate price inflation down to its lowest since November 2016.

Firms' **input prices** meanwhile showed the smallest rise for just over one-and-half years, albeit with the rate of increase remaining above the historical average. The slowdown was led by weaker inflation in manufacturing purchase prices, which anecdotal evidence linked in part to decreasing demand for inputs. Those businesses that reported an increase in operating expenses often linked this to pay pressures.

## Comment

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

*“Germany’s manufacturing and service sectors remain on very different paths, according to February’s flash PMI data. While strong fundamentals in the domestic market are driving growth in services business activity, falling exports continue to weigh on the performance of the manufacturing sector. Measured overall, the data remain indicative of a very modest rate of underlying output growth.”*

*“The manufacturing PMI fell further into contractionary territory in February to its lowest in over six years, with sustained robust job creation at factories the only positive takeaway. The strength in employment is perhaps surprising given the order book situation and lack of pressures on capacity, but goods producers are seemingly looking through the current soft patch in demand.”*

*“In terms of the factors behind the slowdown in manufacturing order books, many of the usual suspects – the uncertainty relating to US-China trade tensions and weakness in the autos industry – were highlighted, although there were also reports of growing competitive pressures within Europe.”*

-Ends-

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**Note to Editors:**

Final February data are published on 1 March for manufacturing and 5 March 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 <sup>1</sup>	0.0	0.4
Germany Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.3
Germany Services Business Activity Index <sup>2</sup>	-0.1	0.6

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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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