

IHS Markit / BME Germany Manufacturing PMI®

Manufacturing sector ends 2020 with further strong growth, but supply chain pressures build

Key findings

PMI at 34-month high of 58.3

Rise in sales supports sustained, albeit slower, growth in output

Input costs spike higher amid near-record increase in supplier lead times

Data were collected 04-16 December

Latest PMI® survey data showed Germany's manufacturing sector still growing strongly in December, as it continued to recover from the shutdowns induced by the coronavirus disease 2019 (COVID-19) pandemic earlier in 2020. Production continued to rise, albeit at a slightly reduced rate, while goods producers reported strong optimism towards the year-ahead outlook.

Less positively, however, factory workforce numbers remained in decline, while increased strain on manufacturing supply chains led to a sharp rise in cost pressures.

December saw the headline IHS Markit/BME Germany Manufacturing PMI® – a weighted aggregate of measures of new orders, output, employment, suppliers' delivery times and stock of purchases – tick up from 57.8 in November to 58.3, its highest since February 2018.

The latest result was indicative of a rapid improvement in manufacturing conditions, which reflected sustained strong increases in both output and new orders. However, it was a sharp drop in the supplier delivery times sub-component (which is inverted for the calculation of the PMI) that led to December's improved reading, alongside a slower fall in stocks of purchases.

New order growth was unchanged since November and remained among the quickest seen since data collection began in April 1996. Surveyed firms commented on greater demand from clients both at home and abroad, with Asia (and particularly China) often mentioned as a source of higher sales. New export orders did, however, show the smallest rise for four months, which in part reflected an increased drag from falling foreign demand for consumer goods.

Consumer goods was again the weakest-performing category overall in December, recording a fractional decline in output. Total manufacturing production levels continued to rise strongly – albeit with the respective index at a four-month low – thanks to

continued...

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



Source: IHS Markit.

Comment

Commenting on the latest survey results, Phil Smith, Associate Economics Director at IHS Markit, said:

"The German manufacturing sector, for the most part, continued to power on in December, with only consumer goods production showing any real weakness as a result of the fresh lockdowns at home and abroad."

"The headline PMI remained in strong growth territory, though it should be highlighted that the improved reading compared to November owed in large part to the supplier delivery times sub-index, which is inverted for the calculation of the PMI and fell sharply to a near-record low as a result of growing supply bottlenecks."

"Manufacturers in December's survey didn't report a great deal of disruption to production from these emerging supply issues, but they could start to bite as we move through the opening quarter of 2021 and they are already impacting businesses through increased input prices and freight rates."

"Nevertheless, manufacturers mainly see a bright future in 2021. With the rollout of COVID vaccines, it's hoped that the pandemic will become less and less of a hindrance to demand and that investment will continue to recovery in the year ahead."

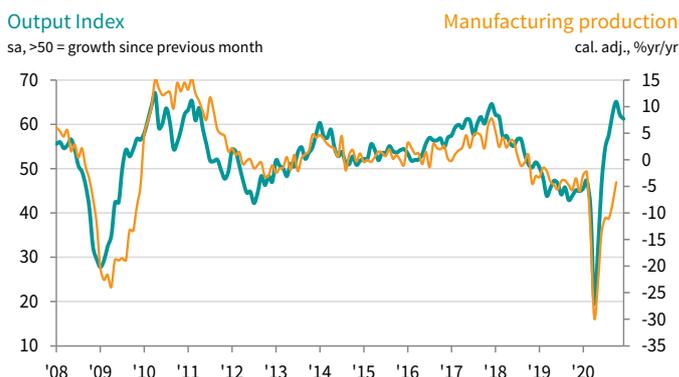
sustained sharp growth in the intermediate and investment goods categories.

Goods producers reported higher backlogs of work for the sixth month in a row in December. Still, payroll numbers continued to be reduced, and at a slightly quicker rate than recorded in the previous survey period.

Purchasing activity among manufacturers, by contrast, continued to rise sharply during the final month of 2020. In line with growing demand for inputs, latest data showed increased strain on supply chains. Input leads times lengthened to one of the greatest extents in the survey's near 25-year history, the deterioration nearly matching that seen during the initial COVID lockdowns in April. There were widespread reports of shortages of raw materials and components, bottlenecks in sea freight due to a lack of available containers and other COVID-related disruption.

This increased supply-side pressure was reflected in a sharp acceleration in the rate of input cost inflation faced by German manufacturers to the highest for just over two years. Metals were often reported as up price, as were chemicals and plastics. Average factory gates also rose at a faster rate in December, increasing to the greatest extent since March 2019.

Looking ahead to prospects for 2021, December's survey showed high expectations among manufacturers for output in the coming year. The degree of optimism, though down slightly from November's near-record high, was still historically strong. Many firms were hopeful that the pandemic's impact on economic activity would diminish, and that clients' appetite for investment spending would continue to recover.



Sources: IHS Markit, Bundesbank.

Contact

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

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

Survey methodology

The IHS Markit / BME Germany Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. 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 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.

Survey dates and history

December data were collected 04-16 December 2020.

Survey data were first collected April 1996.

Flash vs. final data

Flash data were calculated from 94% 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

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 contact katherine.smith@ihsmarkit.com. To read our privacy policy, click [here](#).

About BME

The BME is the German Association for Supply Chain Management, Procurement and Logistics. Founded in 1954 it provides services for around 9750 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME liaises between businesses 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
GERMANY

Contact: Frank Rösch, Head of Press and Communications
E-mail: frank.roesch@bme.de Internet: www.bme.de