

Embargoed until 0955 CEST (0755 UTC) 6 May 2019

## IHS MARKIT GERMANY SERVICES PMI®

INCLUDING IHS MARKIT GERMANY COMPOSITE PMI®

### Service sector starts second quarter strongly as activity growth hits seven-month high

#### KEY FINDINGS

Fastest increases in business activity and new orders since last September

Job creation accelerates to quickest since 2007

Inflationary pressures remain strong, driven by wage growth

Germany's service sector made a strong start to the second quarter of the year, according to the latest PMI® survey, recording the fastest growth in both business activity and new work since September last year. Furthermore, the sustained upturn prompted firms to create jobs at the fastest rate since 2007.

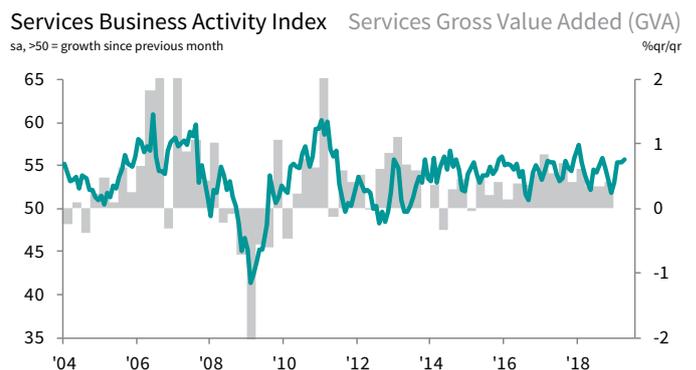
Wage pressures meanwhile underpinned a steep rise in service providers' costs, which in turn contributed another sharp hike in average prices charged.

Rising for the fourth month in a row in April, the headline seasonally adjusted IHS Markit Germany Services PMI Business Activity Index registered 55.7, up from 55.4 in March and its highest reading since last September. The index has a long-run average of 53.3 and has been above the 50.0 no-change mark in every month since June 2013.

Business activity increased in five of the six broad sub-categories monitored by the survey, led by strong growth in the post & telecommunications sector. Only transport & storage saw a decrease in activity, though even here the rate of decline eased and was only modest.

New business at services firms increased at a faster rate in April, the pace of growth continuing to recover from the low seen at the start of the year to reach the highest for seven months. The upturn continued to be underpinned by stronger domestic demand, with inflows of new work from abroad decreasing for the ninth time in the past ten months.

Buoyed by rising inflows of new business, service providers in Germany showed an increased appetite for new hires in



Note: Services GVA data include retail, which is not included in the PMI.  
Sources: IHS Markit, Federal Statistical Office

April. Having accelerated for the third month in a row, the rate of job creation reached the fastest since October 2007 and was among the quickest in almost 22 years of data collection. Outstanding business meanwhile increased for the third consecutive month, albeit at the slowest rate in this sequence.

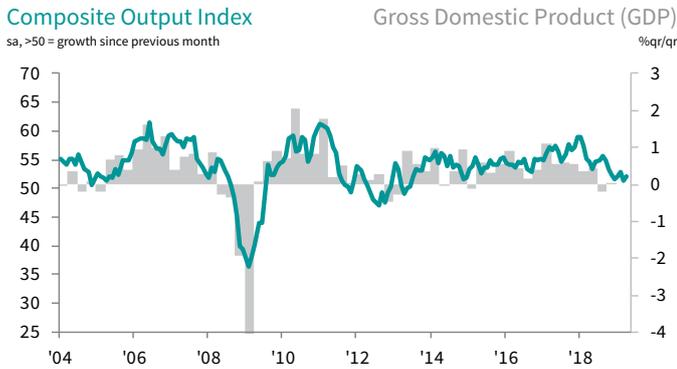
There were a number of reports from companies of rising wages leading to higher overall operating expenses. Others also commented on increases in energy costs and rents. The overall rate of input price inflation ticked up to a three-month high in April and was sharp in the context of historical data.

A backdrop of robust underlying demand enabled service providers to pass part of the burden of higher costs on to clients in the form of increased charges. The rate of selling price inflation pulled back slightly from March's record high but remained among the quickest seen since the start of the survey in 1997.

Finally, confidence among service providers towards the year-ahead outlook for output remained strong, despite having eased to a three-month low. Firms hope that new products and greater marketing spend will support growth in the next 12 months.

## IHS MARKIT GERMANY COMPOSITE PMI®

## Composite PMI ticks up in April but growth remains subdued



Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Germany Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

After falling to a near six-year low in March, the Composite Output Index showed a slight recovery at the start of the second quarter, climbing from 51.4 to 52.2. That said, the latest reading was still one of the lowest seen over the past six years. Strong growth in service sector business activity in April continued to contrast with a downturn in manufacturing production.

New business returned to growth in April after falling throughout the opening quarter of the year, albeit rising only slightly. Conversely, new work received from abroad continued to fall at a sharp pace.

Stronger employment growth across the service sector in April offset further modest losses at manufacturers, leading to a slight reacceleration in the rate of job creation during the month. As such, backlogs were depleted at a quicker pace – the fastest seen since June 2013.

April saw the rate of input price inflation pick up from March's 29-month low, driven mainly by a faster increase in service sector costs. That said, it was still the second-slowest in almost two years as manufacturing purchase prices barely rose. Output charge inflation meanwhile eased to its weakest since September 2017.

Though remaining positive overall, sentiment towards future output eased in April to the weakest seen in 2019 so far. Optimism among service providers softened to a three-month low but remained strong. However, manufacturers were the least confident about the outlook since November 2012.

### COMMENT

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

*"Thanks to strong domestic fundamentals, Germany's service sector remains resilient and continues to defy the slowdown seen in the trade-dependent goods-producing sector. With strong links to manufacturing, transport & storage is the only services segment where businesses are struggling somewhat; everywhere else is enjoying reasonable-to-strong growth. At 55.7, the headline business activity index has edged further above its long-run trend level and isn't too far off the highs in 2018."*

*"The service sector jobs surge showed no sign of slowing in April, with employment growth accelerating to a rate not seen since before the global financial crisis. This helps alleviate concerns about the recent paring back of workforce numbers across manufacturing."*

## CONTACT

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### 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.

April 2019 data were collected 10-25 April 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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IHS Markit (Nasdaq: 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.

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### 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 [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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