

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) 21 June 2019

IHS Markit Flash Germany PMI®

German output growth remains moderate in June as sentiment weakens

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 52.6 (May: 52.6). Unchanged.
- Flash Germany Services PMI Activity Index⁽²⁾ at 55.6 (May: 55.4). 2-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 45.4 (May: 44.3). 4-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 47.0 (May: 47.3). 2-month low.

Data collected 12-20 June

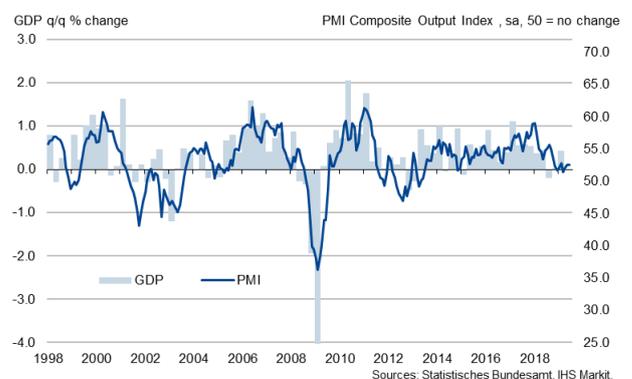
German private sector output rose at a moderate overall pace at the end of the second quarter, according to the latest flash PMI® data from IHS Markit. The **IHS Markit Flash Germany Composite Output Index** – which is based on approximately 85% of usual monthly replies – registered a reading of 52.6 in June, unchanged from May.

The PMI data signalled that growth during the second quarter as a whole was the strongest since the third quarter of 2018. That said, expectations for output growth over the next 12 months were the weakest in over four-and-a-half years.

The service sector again drove overall output higher in June, with a strong rate of expansion in activity that was the second-fastest in nine months. Manufacturing production fell for the fifth month running in June, and at a solid rate.

Lower goods production contributed to the headline **IHS Markit Flash Germany Manufacturing PMI** remaining below the no-change mark of 50.0 in June. The four other components (new orders, employment, suppliers' delivery times and stocks of purchases) also had negative influences on the headline figure. Nonetheless, the PMI edged higher to a four-month high of 45.4, from 44.3 in May.

IHS Markit Germany Flash PMI



June data signalled a resumption in growth of private sector **new business** in Germany, following a marginal drop in May. New work has risen only twice in the first six months of 2019. The latest expansion was also weak overall, albeit the best since last November. Another sharp decline in manufacturing new orders weighed on overall growth, linked to weakness in export demand and the auto industry. **New export orders** at goods producers fell for the tenth month running, albeit at the slowest pace since January.

The renewed increase in new work in June was insufficient to generate pressure on capacity, as the volume of **outstanding work** fell for the eighth successive month. This reflected another steep drop in manufacturing backlogs, as service providers reported higher outstanding business for the fifth month running.

Private sector **employment** in Germany rose for a record sixty-eighth consecutive month in June. The rate of job creation remained stronger than the long-run series average, but was unchanged from May's three-year low. Manufacturers cut staff for the fourth month running, albeit less so than in May.

Cost pressures at private sector companies eased in June, notably at manufacturers. Average purchase prices at manufacturers fell at the fastest rate since April 2016. This drove overall **input cost inflation** across both manufacturing and services down to a 34-month low. Services sector input costs rose at the slowest rate since March 2018.

With manufacturing input prices falling sharply in June, goods producers cut their own output charges for the first time since August 2016. Service providers increased their charges at a slightly stronger rate, meaning that the overall pace of **charge inflation** was unchanged from May's 22-month low.

Finally, German private sector companies were less confident of **output growth over the next 12 months**. Overall sentiment was the weakest since October 2014 as confidence in the service sector took a hit during the latest period. A number of firms reported that they expected a wider economic slowdown. Manufacturers were broadly neutral in their output growth expectations, representing a further relative improvement from the deep pessimism exhibited earlier in the year.

Comment

Commenting on the flash PMI data, **Trevor Balchin**, Economics Director at IHS Markit said:

"The June PMI confirms that German growth has stabilised at a moderate pace in the second quarter. The Composite Output Index trended at 52.5 over Q2, just above the prints for the previous two quarters.

"Service sector growth remains above-trend and although the manufacturing downturn continued into June, there are tentative signs that the worst has passed with the key indices for output, new orders, exports and employment all above their recent multi-year lows.

"The longer-term outlook for the German private sector remains weak, however. The Future Output Index fell to a 56-month low in June as a result of weaker sentiment among service providers. Manufacturers currently expect broadly no change in output over the next 12 months, although this represents an improvement compared with the pessimism of recent months."

-Ends-

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Note to Editors:

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

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