

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) 23 September 2020

IHS Markit Flash Germany PMI®

German economy relies on manufacturing to sustain growth as services activity suffers setback in September

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 53.7 (Aug: 54.4). 3-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 49.1 (Aug: 52.5). 3-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 62.2 (Aug: 57.7). 32-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 56.6 (Aug: 52.2). 26-month high

Data collected September 11-22

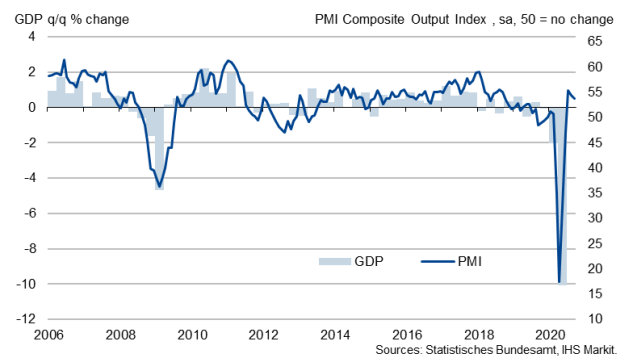
Latest PMI® data from IHS Markit showed a further increase in German business activity in September, driven by a sharp rise in manufacturing production. However, the overall pace of growth eased for the second month in a row amid a slight setback in activity across the service sector.

On the employment front, the survey showed workforce numbers falling modestly and at the slowest rate for seven months, as businesses reported increased optimism towards the outlook.

The **headline Flash Germany Composite Output Index** registered 53.7 in September. While indicative of a solid rate of growth, the latest reading was down from August's 54.4 and further below the near-two year high seen in July, pointing to a continued loss of momentum in the recovery from the COVID-19 shutdown.

The slowdown in September reflected a renewed, albeit only slight, decline in service sector business activity, following increases in each of the previous two months. By contrast, manufacturing production continued to make up the ground lost during the lockdown, rising to the greatest extent since January 2018.

IHS Markit Germany Flash PMI



Highlighting the sustained rebound in the goods-producing sector, the **Flash Germany Manufacturing PMI** climbed from 52.2 in August to 56.6, its highest July 2018. Each sub-component imparted a positive directional influence.

Goods producers reported ramping up production in line with increasing inflows of **new work**, which rose at the fastest rate for more than a decade in September, helped in turn by a steep and accelerated increase in new export orders. While service providers also recorded growth in new business, the increase was only modest and the slowest in three months, with demand from international clients remaining particularly subdued.

Overall **backlogs of work** rose for the second month running in September. The modest increase masked varying trends at the sector level, with a further decrease in outstanding business at services firms contrasting with a steep rise in work-in-hand among manufacturers.

The decline in **employment** seen since the COVID-19 outbreak in March showed further signs of easing in September. Workforce numbers fell only modestly and at the slowest rate in the current sequence. Job

losses remained centred on the manufacturing sector, though the pace at which factory staffing levels fell was noticeably slower than in August and the weakest overall for seven months. Services firms meanwhile reported a further marginal rise in employment.

Helping to slow the rate of staff cuts across the goods-producing sector in September was a further improvement in manufacturers' confidence towards future activity. Expectations among service providers were again slightly less optimistic, but overall **sentiment** nevertheless picked up to the highest since April 2018.

Elsewhere, September's survey showed that inflationary pressures remained subdued across the German private sector. There was a modest rise in average **input prices** for the second month in a row, driven by higher operating expenses among service providers, but average **prices charged for goods and services** nevertheless fell for the seventh month in a row, albeit only marginally.

Comment

Commenting on the flash PMI data, **Phil Smith**, Associate Director at IHS Markit said:

"While latest PMI data shows German economic output continuing to rise in September, it highlights a growing divergence in trends between manufacturing and services.

"With services business activity falling for the first time in three months, the recovery in the tertiary sector has possibly reached a ceiling thanks to ongoing social restrictions and still-high levels of uncertainty in the economy, including around job security. In contrast, manufacturing is still rebounding strongly thanks to in part to improving export demand, with sharply rising levels of output and new orders helping to slow the rate of job losses in the sector.

"Rising numbers of coronavirus cases have coincided with a drop in confidence among service providers, while manufacturers appear to be shaking off any worries about the potential for further restrictions domestically or abroad, with confidence among goods producers improving to the highest for more than two-and-half years."

-Ends-

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Note to Editors:

Final September data are published on 1 October for manufacturing and 5 October 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?"

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