

# IHS Markit / BME Germany Manufacturing PMI®

## Output and new orders both constrained by supply bottlenecks in September

### Key findings

Slowest rises in output and new orders for 15 months

Input shortages continue to push up costs, leading to higher output prices

Pace of job creation slows as growth expectations dip to 13-month low

Data were collected 12-23 September 2021.

The German manufacturing sector continued to be held back by supply bottlenecks during September, latest PMI® survey data showed. Firms reported not only constrained output levels, but also a softening trend in new orders as reduced production schedules in the automotive sector and rising prices hit demand.

With input shortages continuing to drive up purchasing costs, good producers registered another near-record increase in average factory gate charges. Growth expectations meanwhile continued to ebb, acting as an additional drag on the pace of factory job creation.

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 – recorded a notable slippage for the second month running in September, dropping from August's 62.6 to an eight-month low of 58.4. Each of the five sub-components had a negative influence.

The survey's output index fell for the third month in a row and recorded its lowest reading since moving into growth territory in July last year. A number of surveyed firms indicated that production was constrained by a lack of materials.

Furthermore, September's survey showed a notable slowdown in the rate of new order growth, to the weakest for 15 months. While some firms reported that capacity constraints and supply issues had prevented them from taking on more work, others commented an outright drop in demand due to customers (mostly in the automotive sector) operating on reduced production schedules. Higher prices were another factor behind the softening trend in new orders.

Manufacturers raised average factory gate charges at one of the fastest rates in the series history in September. Output price inflation ticked up slightly since August and was third only to those recorded in June and July.

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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:

*"At 58.4, the latest headline PMI reading gives a false impression as to the manufacturing sector's current performance, with the suppliers' delivery times component continuing to distort the picture. Trends in output and new orders are weaker than the headline number suggests."*

*"The unprecedented supply shortages we've seen in recent months have been holding back production levels for some time now, and we're increasingly seeing this disruption feed back up the supply chain and resulting in reduced demand for intermediate goods as orders are either postponed or cancelled. As a result, overall growth in new orders dropped to a 15-month low in September."*

*"At the same time, supply bottlenecks continue to drive up input costs and, in turn, put pressure on manufacturers to raise prices, which is acting as another headwind to growth. The rate of input price inflation looks like it might have peaked but is still running close to the fastest in the survey's history, leading to near-record numbers of goods producers raising prices."*

*"Manufacturers' optimism towards the outlook is steadily ebbing away, down in September to its lowest for 13 months, with many firms concerned that supply shortages will persist into next year."*

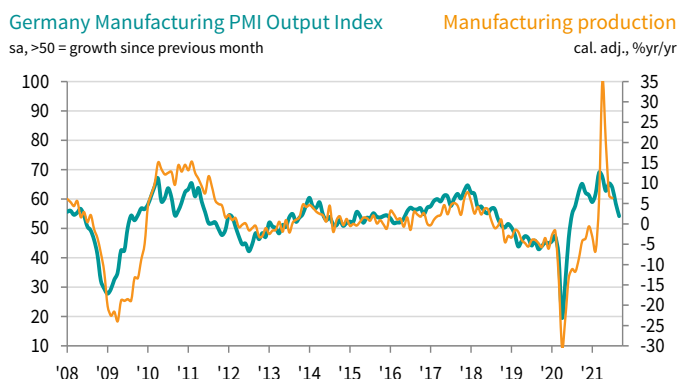
Companies that raised their charges generally attributed this to the pass-through of higher costs. Average prices paid for materials and components continued to rise sharply at the end of the third quarter, reflecting widespread imbalances between supply and demand. Though the rate of cost inflation eased to a five-month low, it still remained faster than at any other time in the series history.

September continued to see a historically high number of reports of longer lead times on inputs. That said, latest data pointed to the least marked deterioration in supplier performance since January.

Manufacturers' buying levels were up for a fourteenth straight month in September. However, like output and new orders, purchasing displayed a noticeably slower rate of growth, the weakest for just over a year. Stocks of purchases meanwhile fell, albeit modestly, as did post-production inventories as manufacturers once again struggled to meet demand.

The ongoing shortfall in output relative to new orders led to a further sharp rise in backlogs of work at German manufacturers during September. To help close the gap, firms endeavoured to expand operating capacity by adding to their workforce numbers. Factory employment rose for the seventh month in a row, although the rate of job creation was the slowest since March.

The easing of the pace of hiring reflected not only the slowdown in output and new order growth, but also waning growth expectations for the year ahead. Though business confidence remained elevated by historical standards, the degree of optimism slipped further from June's record high to the lowest since August last year. Input shortages dampened sentiment.



Sources: IHS Markit, Federal Statistical Office.

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### 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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 13-23 September 2021.

Survey data were first collected April 1996.

### Flash vs. final data

Flash data were calculated from 96% 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](https://ihsmarkit.com/products/pmi.html).

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### 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.).

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