

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Germany PMI®

### COVID-19 lockdown leads to record contraction in German economy

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 17.1 (Mar: 35.0). Record low.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 15.9 (Mar: 31.7). Record low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 34.4 (Mar: 45.4). 133-month low.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 19.4 (Mar: 41.0). Record low.

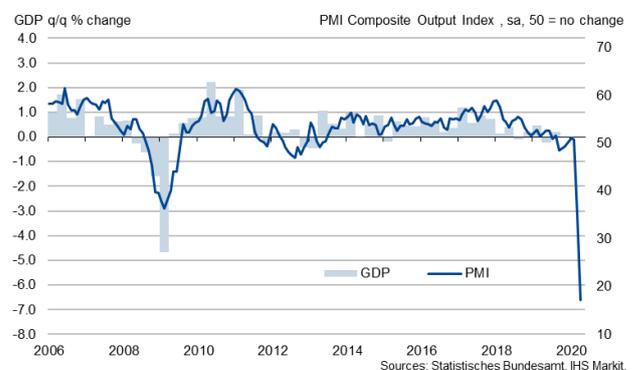
Data collected April 7-22

The decline in business activity across Germany deepened in April, with both services and manufacturing seeing record decreases in output as a result of the COVID-19 pandemic and subsequent lockdown, latest 'flash' PMI® survey data from IHS Markit showed. The headline **Flash Germany Composite PMI Output Index** registered 17.1 in April, down sharply from 35.0 in March and by far its lowest reading since comparable data were first compiled more than 22 years ago.

The preliminary data were based on responses collected between April 7-22. The survey response rate was not affected by shutdowns caused by the COVID-19 outbreak.

The biggest impact of the pandemic and associated containment measures continued to be seen across the service sector, where business activity fell at the fastest rate in more than two decades of data collection as around three-quarters of firms reported a fall. Data also showed an unprecedented drop in manufacturing output, with the rate of decline closer to that of services activity than was the case in the previous month.

**IHS Markit Germany Flash PMI**



Businesses reported a collapse in demand from clients both at home and abroad in April. The rate of decline in overall **inflows of new work** far exceeded the previous record seen in March, with **new business received from abroad** falling at a similarly sharp pace. In both cases, the decline was led by the service sector.

**Employment** unsurprisingly fell for the second month in a row in April. Moreover, unprecedented job losses across the service sector saw the overall rate of decline surpass the previous record set in April 2009. The decline in manufacturing workforce numbers also gathered pace, reaching the fastest in almost 11 years. Anecdotal evidence highlighted the cancellation and non-renewal of contracts, redundancies and natural staff wastage. At the same, however, there were widespread reports of the use of short-time work helping firms avoid staff cuts.

Elsewhere, April's survey showed sustained downward pressure on **prices charged for goods and services**, with the rate of decline accelerating to the quickest in more than a decade. There was also

a further softening of **cost pressures**, linked to lower prices for oil and other commodities, as well as a reduction in average wage costs. Operating expenses across the service sector fell – albeit marginally – for the first time since September 2009.

Firms' **expectations** towards activity over the next 12 months remained deep in negative territory in April, recovering only marginally from March's series record low (since July 2012). This was the case across both monitored sectors, with manufacturers remaining comparatively more bearish about the outlook.

The **Flash Germany Manufacturing PMI** fell sharply from 45.4 in March to a 133-month low of 34.4, reflecting steep and accelerated contractions in output, new orders and employment. However, its decline was softened by a record increase in supplier delivery times and a rise in stock of purchases.

## Comment

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

*“April’s PMI surveys reveal the full effects of the COVID-19 pandemic and subsequent lockdown on Germany’s economy, showing business activity across manufacturing and services falling at a rate unlike anything that has come before. Compared to a low of 36.3 during the financial crisis, the headline PMI’s reading of 17.1 paints a shocking picture of the pandemic’s impact on businesses.”*

*“Service providers bore the initial brunt of the virus containment measures, but the collapse in demand and supply constraints have caught up with manufacturers, who are now also recording an unprecedented drop in output.”*

*“The short-term work scheme is having the desired effect of curbing job losses, with employment falling much less than output during April. Still, redundancies and contract cancellations have led to a record drop in workforce numbers as firms look to cut costs and position themselves for a hard slog in the months ahead.”*

-Ends-

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**Note to Editors:**

Final April data are published on 4 May for manufacturing and 6 May 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 <sup>1</sup>           | 0.0                | 0.4                                  |
| Germany Manufacturing <i>PMI</i> <sup>3</sup>         | 0.0                | 0.3                                  |
| Germany Services Business Activity Index <sup>2</sup> | -0.1               | 0.6                                  |

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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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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.

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**About PMI**

Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) 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 <https://ihsmarkit.com/products/pmi.html>.

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