

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) June 22 2018**

## IHS Markit Flash Germany PMI<sup>®</sup>

### German growth ticks up but remains in low gear

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 54.2 (53.4 in May). 2-month high.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 53.9 (52.1 in May). 3-month high.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 55.9 (56.9 in May). 18-month low.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 54.8 (55.7 in May). 19-month low.

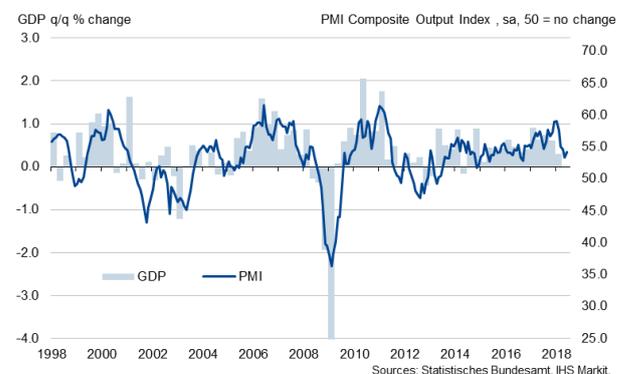
Data collected June 12-21

June saw a slight pick-up in the rate of growth of Germany's private sector economy from a 20-month low in May, driven by a stronger increase in services business activity. New order growth and job creation also gathered pace, with the latter signalling the steepest rise in employment for five months. However, the manufacturing sector continued to lose momentum and recorded its weakest growth performance for one-and-a-half years.

The **IHS Markit Flash Germany Composite Output Index** rose to 54.2 in June from 53.4 in May, to mark the first uptick in the index since January. That said, the implied rate of growth was still the second-lowest over the past 21 months. By sector, services business activity increased at the quickest rate since March, whereas manufacturing output growth slowed for the fifth time in the past six months to the lowest since November 2016.

The **IHS Markit Flash Germany Manufacturing PMI** slipped to an 18-month low of 55.9 in June from 56.9 in May. The drop in the index reflected not only weaker output growth but also slower increases in new orders and stocks of purchases, as well as slight reduction in the incidence of supply chain delays. A faster rise in manufacturing

#### IHS Markit Germany Flash PMI



employment was the only positive influencing factor.

Total inflows of **new business** rose at the fastest rate for three months in June. Behind this was stronger underlying demand in the service sector, where companies recorded the strongest increase in new work since January. Manufacturers, on the other, indicated a further cooling of demand, with factory order books rising only modestly and at the slowest pace since March 2016. In the detail, the survey showed the smallest monthly gain in **manufacturing export orders** for over two years.

On a more positive note, June's survey indicated a sustained strong pace of hiring across the private sector. The rate of **job creation** picked up from a 17-month low in May to the quickest since January. Moreover, employment growth accelerated across both manufacturing and services, with the latter recording the steepest rise in workforce numbers since April 2017.

**Business confidence** towards the year-ahead outlook for activity was also found to have improved slightly in June. However, the overall degree of optimism remained well below the highs in 2017. Data showed conflicting trends at the sector level,

with improved sentiment among services firms contrasting with a further waning of manufacturers' confidence to the lowest for over three years.

June's survey meanwhile showed the continuation of strong cost pressures driving up prices charged for goods and services. **Input costs** rose steeply and at one of the quickest rates seen over the past seven years, with anecdotal evidence highlighting upward pressure from staff pay, fuel prices and commodities in general. Rates of cost inflation picked up across both manufacturing and services.

**Average output charges** rose at a marked rate that was little-changed from that recorded in the previous month. Notably, factory gate price inflation eased to a ten-month low, whereas the increase in service sector output charges was the second-quickest seen for almost ten years.

## Comment

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

*"The headline PMI numbers for Germany make for slightly better reading in June thanks to a pick-up in the pace of expansion in the service sector, though the performance over the second quarter as whole still looks to be one of only modest growth.*

*"The big disappoint was manufacturing, where the PMI fell further from last December's record high to the lowest in one-and-a-half years. A worrying slide in export order growth seen since the start of the year continued into June, with the latest survey's anecdotal evidence highlighting quieter client interest from the US and China.*

*"A clear divergence between manufacturing and services was also seen in the survey's gauge of business confidence. Services firms are in buoyant mood towards the outlook over the next 12 months, but manufacturers see growth continuing to cool and are their least optimistic for over three years."*

-Ends-

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**Note to Editors:**

Final June data are published on July 2 for manufacturing and July 4 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 1000 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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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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