

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0955 (CEST) / 0755 (UTC) July 2nd 2018

IHS Markit/BME Germany Manufacturing PMI® – final data

Manufacturing PMI at 18-month low in June as new order growth weakens

Key findings:

- New orders exhibit slowest rise in over two years
- Pick-up in rate of job creation belies general slowdown
- Optimism towards future output dips to the lowest for more than three years

Data collected June 12-22

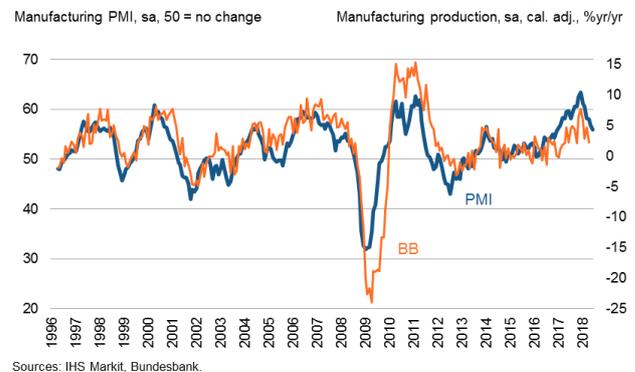
The rate of growth of Germany's manufacturing sector shifted down another gear in June, dampened by a further slowdown in the pace of expansion in new orders to the slowest for over two years. Expansion in output remained solid but likewise eased at the end of the second quarter, with goods producers also becoming less optimistic about production in the year ahead. More positively, the rate of job creation in the sector picked up to a four-month high as efforts continued to be made to enhance capacity.

On the price front, factory gate charges rose at the slowest rate for eight months despite manufacturers facing an acceleration in input cost inflation.

The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – fell to 55.9 in June from 56.9 in May. The index has now declined in each of the past six months from a survey-record high last December, with the latest reading the lowest seen for one-and-a-half years.

The lower PMI figure was largely due to a further slowdown in the rate of expansion in new orders, which exhibited the weakest monthly rise since March 2016. Export sales growth was meanwhile at its lowest for over two years, with a number of surveyed firms commenting on fewer orders from the US and China.

IHS Markit / BME Germany Manufacturing PMI



The rate of output growth slowed less sharply than that of new orders, remaining solid overall thanks in part to a high level of backlogs of work at manufacturers. Latest data showed substantial gains in production across both the capital and intermediate goods groupings. In contrast, consumer goods production decreased for the first time in over three-and-a-half years, albeit only marginally.

The main positive takeaway from June's survey was a pick-up in the rate of employment growth, up from a 15-month low in May to the highest since February. The pace of job creation was strong across each of the three main industrial groupings as firms looked to boost production capacity.

Goods producers continued to take on extra staff despite becoming less optimistic about the outlook for output in the year ahead. Business confidence was in fact at its lowest for over three years in June, having weakened for the fifth time in the past six months. A cooling market, tariffs and supply constraints were the main concerns among businesses, according to anecdotal evidence.

There was a steep rise in manufacturers' input costs in June, with surveyed firms commenting on the impact of the recent euro depreciation and

reporting higher prices paid for metals and plastics. The rate of input cost inflation picked up to a four-month high in June; however, factory gate charges showed the weakest monthly increase since last October amid reports of strong competition.

Elsewhere, stocks of finished goods fell at the fastest rate for eight months, contrasting with a further slight rise in pre-production inventories. The extent to which supplier lead times increased was meanwhile the least marked since July last year.

Comment

Commenting on the final IHS Markit/BME Germany Manufacturing PMI[®] survey data, **Phil Smith**, Principal Economist at IHS Markit said:

“The rate of growth of Germany’s manufacturing sector has consistently slowed throughout the first half of 2018, with June’s final headline PMI reading the lowest seen for one-and-a-half years.

“The question is whether there is worse still to come. Order book growth has consistently been below that of output in recent months, and in June the gap widened as the former slowed to the weakest seen for over two years, suggesting some underlying downward pressure on output levels. Firms have indeed become less optimistic in their expectations towards output, with tariffs seen as an added headwind to growth in the months ahead.

“The sector’s overall pace of growth may have shifted down another gear, but that hasn’t stopped manufacturers from creating more and more jobs, with a pick-up in the rate of employment growth the one bright spot from June’s survey. A strengthening domestic market will go some way towards offsetting the loss of exports.”

-Ends-

New Export Orders Index

New Export Orders Index, sa, 50 = no change



Source: IHS Markit.

Employment Index

Employment Index, sa, 50 = no change



Source: IHS Markit.

For further information, please contact:

IHS Markit

Phil Smith, Principal Economist
Telephone +44-1491-461-009
Email: phil.smith@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

The Germany Manufacturing PMI[®] (Purchasing Managers' Index[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the German manufacturing sector.

The final Germany Manufacturing PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 85% of total PMI survey responses each month. The June flash was based on 95% of the replies used in the final 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 Manufacturing PMI ¹	0.0	0.3

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 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: 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.

IHS Markit is a registered trademark of IHS Markit Ltd and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

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. To learn more go to ihsmarkit.com/products/pmi.

The intellectual property rights to the IHS Markit/BME Germany Manufacturing PMI[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and PMI[®] are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).