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IHS Markit / BME Germany Manufacturing PMI®

Manufacturing sector continues to show strength despite severe supply disruption and rising costs

Key findings

PMI ticks down only slightly from March's record high

Pace of job creation accelerates as expectations hit new peak

Supply bottlenecks continue to push up costs and factory gate charges

Data were collected 12-23 April

Germany's manufacturing sector continued to enjoy a historically strong rate of growth in April, latest PMI® survey data showed. Expansions in output and new orders eased but remained close to the record highs seen in March, while growing pressure on capacity and strong business confidence fuelled an acceleration in job creation.

Severe supply-side disruption remained a hindrance to the sector's performance, however, weighing on output and contributing to rises in both input cost and output price inflation, the latter to a new record high.

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 – remained in strong growth territory in April, at 66.2. This was down slightly from March's record high of 66.6 but still the second-highest reading since the start of data collection in 1996.

Though easing since the previous survey period, the rates of growth in output, new orders and exports were still faster than at any other time in the survey history. Survey respondents continued to report strong demand both domestically and abroad, with many highlighting sales wins across Asia (particularly China).

The upturn in output continued to be led by the investment goods category. Both the consumer goods and intermediate goods sub-sectors also recorded strong growth, albeit with the latter showing a loss of momentum amid reports of supply disruption holding back production.

Backlogs of work continued to accumulate at manufacturers during April, with many reporting difficulty keeping up with demand. Moreover, for the second month in a row, the rate of growth was quickest in the series history (since September 2002). With the increase in new orders outpacing that of output, stocks of finished goods fell for the eleventh month in a row.

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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:

"The PMI continues to send positive signals for the health of the German manufacturing sector, with the headline index holding close to March's record high thanks in large part to sustained strong growth in new orders.

"A second consecutive record increase in backlogs of work underlines the strength of demand faced by German manufacturers, but it also highlights the fact that production continues to lag behind new orders. The data show that goods producers have redoubled efforts to expand capacity, with April seeing a notable acceleration in the rate of job creation to the fastest in more than two-and-a-half years, but supply issues remain a risk to the sector's growth prospects.

"The reports of delays in the receipt of inputs over the past two months are without precedent, and the severe imbalance of supply and demand for raw materials, components and freight has pushed up the rate of input cost inflation to near-record levels. Supportive demand conditions mean we're increasingly seeing manufacturers raising factory gate charges, but prices can only be increased so far before we start to see some impact on demand.

"Despite showing some concerns for the current supply issues, manufacturers generally maintain a strongly positive outlook for the year ahead with expectations at a record high, hinting they believe the bottlenecks to be transitory and that conditions on both the demand and supply side will get better."

Needing to expand capacity, manufacturers upped the rate of job creation at the start of the second quarter. Employment growth reached the quickest since August 2018 and was broad-based by main industrial grouping, with the consumer goods category seeing a first – albeit modest – increase in staffing numbers for over a year.

Higher production requirements, combined with some advanced purchasing of inputs by firms concerned about future supply, resulted in a record increase in buying levels in April. Stocks of purchases nevertheless remained in decline, as inputs were quickly used up in the production process and lead times on deliveries lengthened further.

Indeed, April data showed the continuation of the worst spell of supply disruption in the survey history. Surveyed firms widely commented on shortages of raw materials and components, as well as highlighting a continued squeeze on freight capacity and disruption from the Suez Canal blockage.

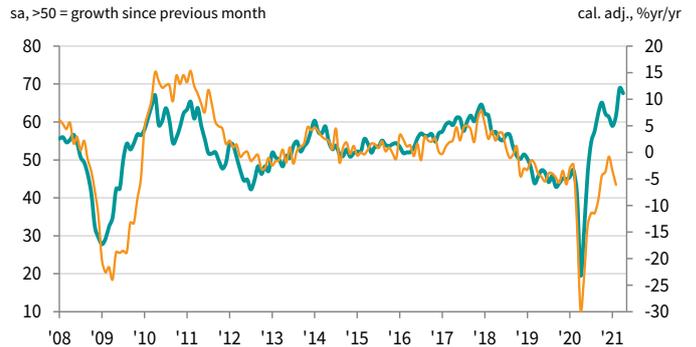
These supply side pressures were further reflected in an acceleration in the rate of input cost inflation to the quickest in over a decade. Panellists reported increases in prices paid for a broad range of items, including chemicals, electronics, metals (particularly aluminium and steel), packaging, plastics and wood.

The rate of factory gate charge inflation meanwhile accelerated to a new record high in April, as supportive demand conditions enabled the partial pass-through of higher costs. It remained noticeably slower than the rate of increase in costs, however.

Lastly, April's survey pointed to a renewed improvement in German manufacturers' expectations for output over the next 12 months, taking the overall degree of optimism above the previous record high set in February.

Germany Manufacturing PMI Output Index

Manufacturing production



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.

Survey dates and history

April data were collected 12-23 April 2021.

Survey data were first collected April 1996.

Flash vs. final data

Flash data were calculated from 95% 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.

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