

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

Manufacturing continues to weigh on private sector output

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 49.4 (Nov: 49.4). Unchanged.
- Flash Germany Services PMI Activity Index⁽²⁾ at 52.0 (Nov: 51.7). 4-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 43.4 (Nov: 44.1). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 44.6 (Nov: 45.2). 2-month low.

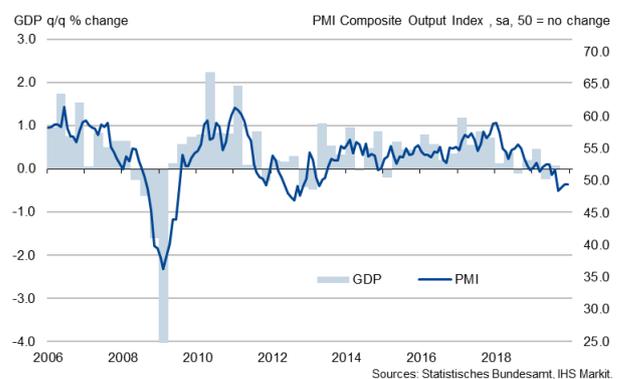
Data collected December 05-13

Business activity in Germany remained subdued in December, with growth across the service sector continuing to be offset by a downturn in manufacturing, according to the latest PMI® data from IHS Markit. Confidence towards the outlook improved, but sustained weakness in new orders continued to curb firms' willingness to take on new staff.

On the price front, the survey showed average charges for goods and services rising at the slowest rate for over three years, which reflected both soft demand and muted underlying cost pressures.

The **Flash Germany Composite Output Index** – which is based on approximately 85% of usual monthly replies – was unchanged at 49.4 in December amid divergent trends at the sector level. Though remaining only modest, growth of service sector business activity ticked up for the third month in a row to the highest since August. By contrast, manufacturing output posted a faster decline, which helped drag down the headline **IHS Markit Flash Germany Manufacturing PMI** from November's five-month high of 44.1 to 43.4.

IHS Markit Germany Flash PMI



Flash data showed the level of **new orders** across the German private sector falling for the sixth month in a row in December. That said, the decrease was the least marked since July, with the survey indicating a rise in services new business for the first time in four months alongside a further moderation in the rate of decline in manufacturing order books to the weakest since January. Goods producers likewise recorded the smallest drop in **new export orders** for almost a year, with the downturn in services new export business also easing.

A lack of new work to replace completed projects saw the level of **outstanding business** across the private sector fall again in December. The rate of backlog depletion remained marked by historical standards, but eased for the second month in a row to the weakest since June. A sharp and accelerated decrease in manufacturing backorders contrasted with a slower drop in outstanding business among service providers.

Employment was broadly unchanged in December, following a marginal increase during the previous month. Whilst remaining solid by historical standards, the rate of job creation across the service

sector eased slightly and was below the average for the year. Manufacturing staff cuts meanwhile deepened, with factory employment falling at the second-fastest rate for almost ten years.

Business expectations towards output in a year's time improved to the highest for six months in December. This owed exclusively to stronger optimism in the service sector, where confidence recovered further from October's near seven-year low to the highest since June. Sentiment among manufacturers meanwhile weakened slightly, with the number of goods producers expecting output to fall over the year ahead equal to those predicting a rise.

Amid reports of strong pricing competition, the rate of inflation in average **charges for goods and services** eased to its weakest since August 2016. December saw the slowest increase in service sector output prices for almost two-and-a-half years, while factor gate charges posted a further (albeit more moderate) decline.

Latest data meanwhile indicated a further easing of cost pressures across the private sector in December, with average **input prices** showing almost no change from the month before. Costs continued to rise across the service sector, though even here the rate of increase was the joint-weakest since July 2017. Manufacturers meanwhile reported the steepest drop in average purchase prices in almost four years.

Comment

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

"With the headline composite PMI holding steady at 49.4 in December, the flash data point to a weak end to a difficult year for the German economy.

"Manufacturing continues to weigh heavily on private sector output, with faster decreases in factory production and employment in December causing the manufacturing PMI to tick down for the first time in three months. Easing rates of decline in new orders and exports continue to provide glimmers of hope, however.

"The service sector remains resilient, with business activity rising at a stronger pace and business confidence perking up as well, though weak labour market trends are likely to be a restricting factor for the sector as we head into the new year."

-Ends-

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Note to Editors:

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

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 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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