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## IHS MARKIT GERMANY SERVICES PMI®

INCLUDING IHS MARKIT GERMANY COMPOSITE PMI®

### Business activity falls for third straight month in December

#### KEY FINDINGS

Further solid, albeit slower, drop in business activity

Business expectations improve to highest since March 2019

Steady rebound in employment continues

Data were collected 04-18 December 2020.

Businesses in Germany's service sector recorded a fall in activity for the third month running in December, amid ongoing lockdown measures to curb the spread of coronavirus disease 2019 (COVID-19) infections, latest PMI® data showed. Though still solid, the decline in activity was slightly slower than in November and largely confined to consumer-facing sectors.

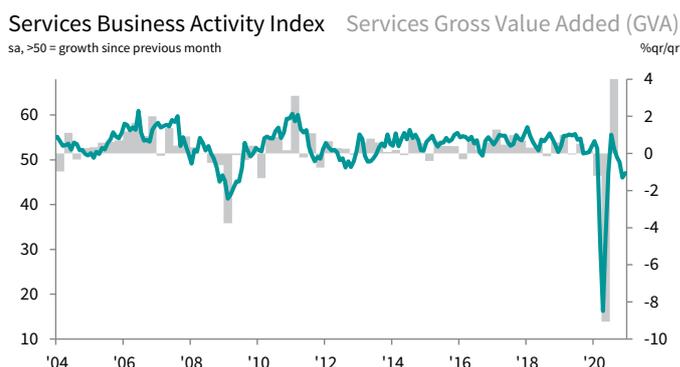
Business confidence towards the year-ahead outlook meanwhile edged higher, with service providers' optimism reflected in a further slight rise in employment.

The headline seasonally adjusted Business Activity Index – which is based on responses to a single question asking about changes in the volume of business activity compared with one month previously – registered 47.0 in December, up slightly from November's six-month low of 46.0 but still well below the 50.0 no-change threshold.

Underlying data showed particularly deep contractions in activity across Hotels & Restaurants and 'Other Services', the latter of which includes leisure and recreation.

Business closures, travel restrictions and client uncertainty all contributed to a further loss of new work across the service sector in December. The rate of decline, like that of business activity, eased slightly since November but was still marked by historical standards, with all sub-sectors seeing demand curtailed to some extent. The level of new business from abroad fell at a sharp and slightly accelerated rate.

Companies continued to work through their outstanding business during December, thereby extending a sequence



Note: Services GVA data include retail, which is not included in the PMI.  
Sources: IHS Markit, Federal Statistical Office

of backlog depletion seen since August 2019. Nevertheless, latest data showed a sixth straight monthly rise in service sector employment, as payroll numbers extended their steady recovery from the sharp downturn during the first half of 2020. Job creation was mostly centred on the Renting & Business Activities and Financial Intermediation sub-sectors, where some firms reported planning for future activity.

Indeed, December data signalled greater optimism among services firms towards activity in the next 12 months. Expectations improved for the second survey in a row to the highest since March 2019, buoyed by vaccine hopes and the prospect of fewer restrictions on activity and travel by the end of 2021.

Turning to prices, December saw another modest rise in average charges levied by service providers, with the rate of inflation unchanged since November. However, this masked a marked and accelerated increase input costs that was the steepest since February.

## IHS MARKIT GERMANY COMPOSITE PMI®

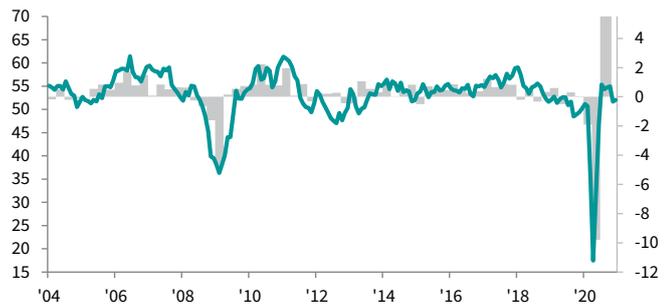
## Strength in manufacturing continues to offset service sector weakness

### Composite Output Index

sa, &gt;50 = growth since previous month

### Gross Domestic Product (GDP)

%q/q



Sources: IHS Markit, Eurostat.

Largely thanks to ongoing strength in manufacturing, Germany's private sector economy continued to show resilience in December in the face of ongoing COVID-19 containment measures. Though down on its level between July and October, the Germany Composite Output Index ticked up from November's five-month low of 51.7 to 52.0.

Total inflows of new business were shown to have increased slightly in December, driven in part by strong growth in manufacturing export orders. As such, latest data showed overall backlogs of work (i.e. orders received by not yet completed) rising for the fifth month running.

The goods-producing sector was, however, an area of weakness in terms of employment, with a faster rate of factory staff cuts in December driving a renewed decline in overall payroll numbers.

Turning to prices, December's survey showed input cost inflation accelerate to a 22-month high, as both manufacturers and service providers reported steeper rises in operating expenses. A lack of pricing power among services firms in particular meant that output charge inflation remained subdued.

Lastly, businesses' expectations for activity over the next 12 months improved fractionally in December, to the highest since April 2018. Manufacturers, on average, remained more optimistic than services firms.

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Germany Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

## COMMENT

Commenting on the PMI data, Phil Smith, Economics Associate Director at IHS Markit said:

*"December's PMI data showed that the German service sector ended 2020 in contraction amid efforts to curb a second wave of coronavirus infections.*

*"Unlike during the first lockdown, however, the disruption to activity in the final quarter of 2020 was confined mainly to those sectors where temporary closures were in place, while other parts of the economy, notably manufacturing, showed much greater resilience.*

*"While businesses have become more optimistic about activity in a year's time thanks to the development of COVID vaccines, the picture for the near-term still remains uncertain, with restrictions on activity set to stay in place as long as case numbers remain high.*

*"On the price front, the weakness in demand across the service sector helped to keep a lid on overall inflationary pressures on average charges for goods and services, despite the data showing businesses facing higher costs and rising manufacturing prices."*

## CONTACT

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### Methodology

The IHS Markit Germany Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. 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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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.

December data were collected 04-18 December 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Flash vs. final data

Flash services data were calculated from 90% of final responses. Flash composite data were calculated from 92% of final responses.

Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.6 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is 0.0 (0.4 in absolute terms).

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### 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](https://ihsmarkit.com/products/pmi.html).

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