

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

### February 'flash' PMI signals modest growth of German economy despite slump in exports

#### Key findings:

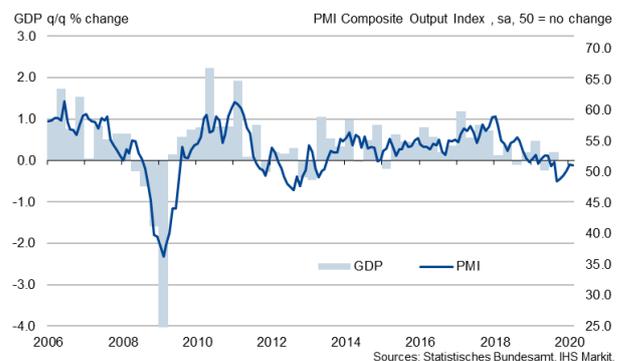
- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 51.1 (Jan: 51.2). 2-month low.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 53.3 (Jan: 54.2). 2-month low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 47.8 (Jan: 45.3). 13-month high.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 47.0 (Jan: 45.6). 9-month high.

Data collected February 12-20

'Flash' PMI® survey data from IHS Markit indicated a modest expansion of German private sector business activity in February, with the rate of growth little-changed from that recorded at the start of the year. Notably, the manufacturing sector moved closer to stabilisation, with survey data indicating slower falls in output, new orders and employment. This was despite reports from goods producers of a slump in both exports and sentiment, linked to the impact of the coronavirus on activity in China and the wider region.

The **Flash Germany Composite Output Index** – which tracks the combined change in activity across the country's manufacturing and service sectors, and is based on approximately 85% of usual monthly replies – registered 51.1, down only slightly from January's five-month high of 51.2. Growth of output was driven by the service sector, where business activity continue to rise at solid pace, albeit one that was slower than January's five-month high. The rate of decline in manufacturing production meanwhile eased for the fourth time in the past five months to the weakest since May last year. There were some reports from surveyed firms of a lack of availability of inputs weighing on output levels.

#### IHS Markit Germany Flash PMI



February saw the headline **Flash Germany Manufacturing PMI** climb from January's 45.3 to a 13-month high of 47.8. Almost half of the index's month-on-month gain was attributable to a deterioration in supplier delivery times\*, which panellists predominantly linked to coronavirus-related disruption in China. That said, there were also slight positive influences on the headline manufacturing PMI from the output, new orders, employment and stocks of purchases components, which all exhibited slower rates of decline.

Latest data indicated signs of renewed weakness in **new export orders** across both manufacturing and services. After nearing stabilisation at the start of the year, overall inflows of new business from abroad fell markedly and at the fastest rate for three months in February. **Total new orders** meanwhile rose for the second month in a row, buoyed by stronger domestic demand, though the rate of growth was only modest and slower than in January.

**Employment** across Germany's private sector rose marginally in February, as job creation at service providers continued to offset staff cuts in

manufacturing. That said, the pace of employment growth in the service sector was at a 21-month low.

Concerns about the impact of the coronavirus on supply chains and the health of the global economy were reflected in a drop manufacturers' **expectations for output over the next 12 months**. The degree of optimism in the goods-producing sector was down from a 17-month high in January and fell further below the level seen in services, which likewise ticked down from the previous month (albeit falling only slightly). That said, in both cases sentiment remained well above the lows seen in the second half of last year.

On the price front, February saw **average prices charged for goods and services** rise at the slowest rate for three-and-a-half years. Behind this was a combination of a moderation in service sector price inflation to a 31-month low and the deepest cuts to factory gate charges for more than ten years.

By contrast, cost pressures faced by German businesses showed further signs of picking up from the lows seen at the end of 2019. **Input price inflation** ticked up for the second month running in February to the highest since June last year. Data at the sector level showed another steep rise in service sector costs, while the rate of decline in manufacturing purchase prices was the weakest seen for eight months.

*\*The 'flash' seasonally adjusted Suppliers' Delivery Times Index was at 47.0 in February, down from 55.1 in January. A reading below 50 signals deterioration in supplier delivery times. In the calculation of the headline Manufacturing PMI, the supplier delivery times index is inverted.*

## Comment

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

*"February's 'flash' PMI results show that the German economy managed to eke out another marginal increase in business activity, despite a fresh setback to exports in the wake of the outbreak of the coronavirus.*

*"Reports from surveyed businesses indicate that, so far, disruption to manufacturing production from supply issues has been fairly limited, but these are still early days in what could potentially be a lengthy saga.*

*"The signs from the data are that domestic demand remained in good health, with service sector activity continuing to rise despite reports of lower tourist numbers, and even manufacturers noting a slowdown in the rate of decline in new orders despite plunging export sales.*

*"The manufacturing PMI defied expectations in February to move to its highest in 13 months. Though there were positive contributions from all five components, the observed jump in the headline index flatters the sector's current trajectory, with longer input delivery times stemming from disruption to supply chains in China having an unduly positive effect."*

-Ends-

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**Note to Editors:**

Final February data are published on 2 March for manufacturing and 4 March 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 <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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IHS Markit (NYSE: 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.

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