

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

German economy shows ongoing resilience in December

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 52.5 (Nov: 51.7). 2-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 47.7 (Nov: 46.0). 2-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 61.4 (Nov: 62.2). 4-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 58.6 (Nov: 57.8). 34-month high

Data collected December 04-15

December's 'flash' PMI® survey from IHS Markit pointed to ongoing resilience in the German economy, with strength in manufacturing continuing to offset service sector weakness. The survey meanwhile pointed to a minor setback in private sector employment, though firms remained optimistic about the year-ahead outlook.

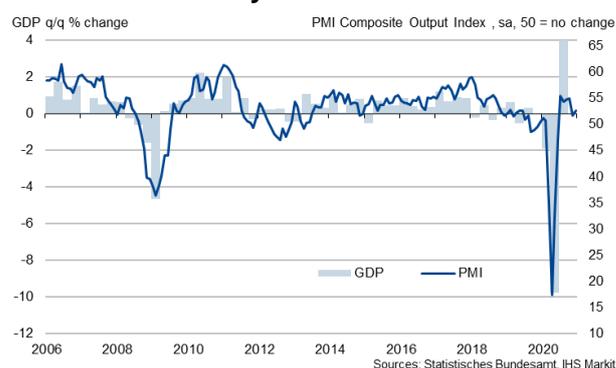
Elsewhere, there were signs of increasing supply chain pressures driving a sharp rise in manufacturing input costs.

December's 'flash' survey data were collected between 4-15 December.

The **headline Flash Germany Composite Output Index** registered 52.5 in December. This was up slightly from October's five-month low of 51.7, with the survey indicating a reduced drag from falling service sector activity (index at 47.7 up from 46.0). Manufacturing production meanwhile continued to exhibit strong growth, albeit with a dip in the respective output index from 62.2 to 61.4 signalling a further slight loss of momentum.

Coronavirus disease 2019 (COVID-19) lockdown measures, including the closure of the hospitality and leisure industries and travel restrictions, continued to weigh on service sector activity in December.

IHS Markit Germany Flash PMI



Manufacturing output, by contrast, showed little impact from the virus containment measures at home or abroad, with panellists often attributing growth to a sustained rise in demand.

Order book volumes across the goods-producing sector increased sharply in December and at a slightly quicker rate than the month before. The upturn continued to be supported by rising export sales, which firms often attributed to stronger demand from China. Notably, manufacturing backlogs of unfinished orders showed a record increase during the month. With the decline in service sector new business having eased in December, the overall rate of order book growth picked up slightly.

Less positively, latest data showed a renewed decline in private sector **employment** in December, following the first – albeit marginal – rise for nine months in November. The result reflected a slightly quicker fall in factory workforce numbers, alongside a slower rise across the service sector.

Business confidence towards the year-ahead outlook for activity remained strongly optimistic in December. Expectations even showed a fractional improvement to move to the highest since April

2018. Manufacturers remained more upbeat than their service sector counterparts, although expectations converged somewhat in December.

On the price front, latest data pointed to another modest rise in average **charges for goods and services** in December, the third in as many months. However, this masked signs of increasing inflationary pressures in the manufacturing sector, linked to growing strain in supply chains and raw material shortages. Goods producers raised factory gate prices to the greatest extent since March 2019, amid a sharp and accelerated increase in manufacturing input costs that was the quickest in just over two years. With services firms also facing a steeper rise in operating expenses in December, the overall rate of **input price inflation** ticked up to a 22-month high.

Growing demand for raw materials and components, a lack of available sea freight capacity and COVID-19 disruption all contributed to a marked increase in lead-times on inputs in December. The deterioration in supplier delivery times was in fact among the greatest seen in the series history. Alongside the faster rise in manufacturing order books and a slower decline in stocks of purchases, this led to a rise in the **Flash Germany Manufacturing PMI** from 57.8 in November to a near three-year high of 58.6.

Comment

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

“December’s ‘flash’ PMI reassuringly showed the German economy still on a relatively stable platform, at least up until the middle of the month (flash data were collected 4-15 December).”

“However, the impending harder lockdown threatens to put pay to some of the resilience we’ve seen so far, with more sectors set to be impacted by the new tougher virus containment measures.”

“Another story that’s quickly developing is the rapid emergence of inflationary pressures in the manufacturing sector. The global recovery in goods production has resulted in the scarcity of a number of raw materials and led to a sharp squeeze on supply chains, with sea freight capacity one of the areas under growing pressure. The situation in the manufacturing sector, where rapid growth is resulting in supply bottlenecks and strong cost inflationary pressures, is reminiscent of that seen during the rebound from the global financial crisis a decade ago, only this time there’s the added disruption from a global pandemic to contend with.”

“Nevertheless, German manufacturers and their service sector counterparts are positive about the outlook for 2021, amid the imminent rollout of COVID vaccines.”

-Ends-

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Note to Editors:

Final December data are published on 4 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 PMI 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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