

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) 23 August 2021

IHS Markit Flash Germany PMI®

German economy continues to grow strongly in August despite further constraints on manufacturing production

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 60.6 (Jul: 62.4). 2-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 61.5 (Jul: 61.8). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 59.0 (Jul: 63.7). 7-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 62.7 (Jul: 65.9). 6-month low.

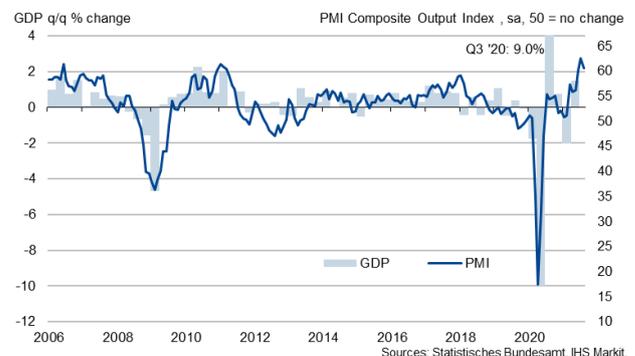
Data collected August 12-20

Business activity across Germany's private sector continued to grow strongly in August, latest flash PMI® data from IHS Markit showed, albeit with the rate of expansion easing slightly from that seen in July. The survey meanwhile indicated an ongoing rapid recovery in employment levels, supported by increasing demand and strong business confidence towards the outlook.

Inflationary pressures remained elevated, however, with a near-record rise in business costs leading to another sharp increase in average prices charged for goods and services in August.

At 60.6, the **headline Flash Germany PMI Composite Output Index** remained well above the 50.0 no-change threshold and thereby indicative of a strong rate of growth. The reading was down from July's record of 62.4 but still one of highest in the series history stretching back to 1998. By sector, services activity grew at a sharp rate that was only just shy of July's peak. Manufacturing, on the other hand, showed a more notable loss of momentum, with the sector's Output Index slipping to 59.0, its joint-lowest in a year, and below the equivalent services index (61.5) for the first time since July 2020.

IHS Markit Flash Germany PMI



There were a number of reports from goods producers of material and component shortages weighing on factory production volumes. Manufacturing **order book volumes** were also reportedly impacted, growing at the slowest rate for six months but one that nevertheless remained faster than that of output and was strong by historical standards. Services new business meanwhile grew at a sharp rate that was only slightly slower than in July.

Latest data pointed to an ongoing rapid build-up of **outstanding business**, particularly across the manufacturing sector where firms struggled to keep pace with demand. The overall rate of backlog accumulation softened only slightly from July's record high.

August saw **employment levels** across the private sector rise for the eighth successive month, as growing workloads spurred companies to expand staffing capacity. The rate of job creation was the second-fastest in the series history after that seen in July, with both monitored sectors recording further sharp (albeit slightly slower) increases in workforce numbers.

Another factor supporting the rapid recovery in staffing levels was strong **business confidence** towards the outlook for activity. Expectations ticked up and were the second-highest since comparable data were first available in July 2012. The improvement masked varied trends at the sector level, however. While services optimism was just below June's 21-year high, manufacturing sentiment (though still highly positive overall) sank to its lowest since October 2020, weighed down by concerns over supply shortages and associated price pressures.

Reflecting widespread demand-supply imbalances across a range of materials and components, combined with increased transport costs, **average input prices** faced by German goods producers rose sharply again in August, with the rate of inflation unchanged from July's record high. With costs pressures intensifying across services, the overall rate of input price inflation across the two sectors edged closer to June's series peak.

Supportive demand conditions allowed many businesses to pass on at least part of the burden of higher costs to clients, resulting in a further sharp rise in average **prices charged for goods and services** during August. Owing to a slightly slower increase in factory gate charges, the overall rate of output price inflation eased further from June's record, but was still faster than at any other time in the series history.

Comment

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

"With August's flash PMI still firmly inside growth territory, the recovery of the German private sector looks to be continuing at a healthy pace. Although growth has slowed down since July, the data are still pointing to a stronger economic expansion in the third quarter than the provisional 1.5% increase in GDP seen in the three months to June.

"This is despite signs of a further slowdown in manufacturing, where production levels continue to be held back by supply bottlenecks and businesses remain under pressure from record cost increases. Services has taken over as the main growth driver, having followed up July's record expansion with another stellar performance in August, as demand across the sector continues to rebound.

"Given the intense cost pressures facing businesses and reports from some of skill shortages, it's encouraging to see a continuation of the recent rapid recovery in employment levels as firms look to address capacity shortages. However, many manufacturers remain inhibited by a dearth of materials and components and supply delays, which are likely to remain constraining factors for months to come."

-Ends-

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Note to Editors:

Final August data are published on 1 September for manufacturing and 3 September 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> ²	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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