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## IHS MARKIT / BME GERMANY MANUFACTURING PMI®

### Manufacturing PMI ticks up in October but stays close to decade-low

#### KEY FINDINGS

Headline PMI climbs to 42.1 from 123-month low of 41.7

Slower declines in output and new orders...

...but jobs shed at quickest rate since January 2010

Germany's manufacturing sector remained firmly in contraction at the start of the final quarter of the year, according to the latest PMI® data from IHS Markit and BME. October saw further marked – albeit slower – decreases in both output and new orders, while employment dropped to the greatest extent since January 2010 and destocking efforts intensified.

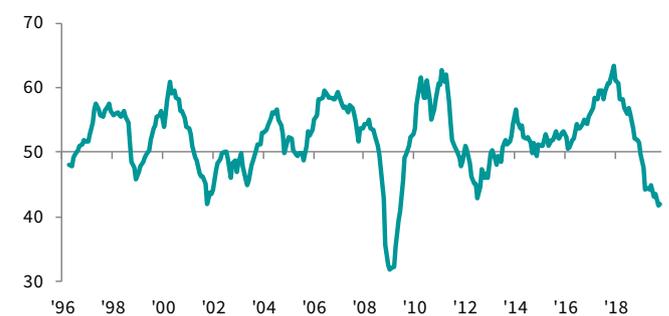
Average factory gate prices meanwhile fell at the fastest rate in almost a decade in October, reflecting the combination of lower input costs and greater competition for new work.

The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – registered 42.1 in October, up slightly from 41.7 in September but still the second-lowest reading since June 2009.

Data showed a deterioration in operating conditions across each of the main industrial groupings, led by a steep contraction in the capital goods sub-sector – which includes mechanical engineering and transport equipment.

Surveyed businesses reported a backdrop of uncertainty weighing on investment and leading to a general reluctance among clients. New orders fell markedly and for the thirteenth month in a row in October. That said, the rate of decline slowed since September – when it reached the quickest since early-2009 – to the weakest in four months. This was also the case for export sales.

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit

The rate of decline in manufacturing output likewise eased, but nevertheless remained one of the fastest seen since the financial crisis of 2008/9. By contrast, the pace of job shedding across the sector continued to accelerate at the start of the fourth quarter, reaching the quickest since January 2010. As has been the case in recent months, firms that reported lower staffing number mostly attributed this to a reduction in temporary/contract workers.

Manufacturers reported another steep reduction in buying levels in October. This was partly due to intensifying efforts to scale down stocks of purchases, which fell at the fastest rate since November 2009. Post-production inventories also decreased more sharply, dropping the most since July.

Lower demand for inputs was reflected in both a notable improvement in supplier lead times – the most marked in four months – and a further drop in prices paid for purchases. The extent to which input costs fell was the greatest since March 2016, as a number of firms reported lower prices paid for metal components, raw steel and plastics. These cost savings were passed on by manufacturers in the form of a fourth straight monthly decrease in factory gate charges. Moreover, the rate of decline was the fastest seen since November 2009.

Lastly, latest data showed manufacturers' expectations towards future output recover to a four-month high. Nevertheless, sentiment remained negative overall.

COMMENT

Phil Smith, Principal Economist at IHS Markit, which compiles the Germany Manufacturing PMI survey, commented:

*"The German manufacturing sector remains in recession and continues to pose a threat to the domestic economy through a rising number of factory job losses. Employment across the goods-producing sector is now falling at the fastest rate for the best part of ten years, though it should be said that the decline is nothing like that seen during the depths of the global financial crisis, and is so far mainly restricted to contractors.*

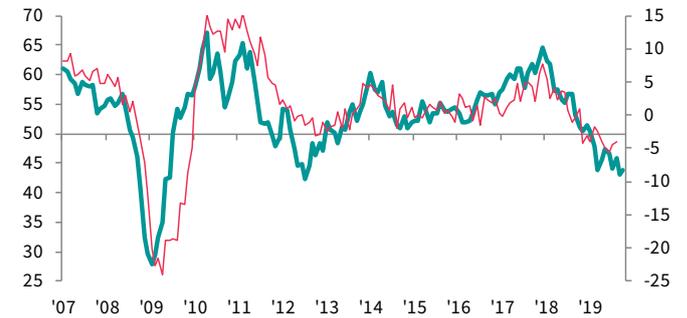
*"The survey's more forward-looking indicators offer some glimmers of hope. Latest data for new orders and output expectations were still very weak in October, but nevertheless the best seen in four months. It remains to be seen if the downturn in the German manufacturing has finally reached a nadir – much of course depends on developments in global trade, with the US set to decide next week whether to impose new tariffs on automotive imports from the EU."*

Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, cal. adj., %y/yr



Sources: IHS Markit, Bundesbank.

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Methodology

The IHS Markit / BME Germany Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. 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 Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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.

October 2019 data were collected 11-24 October 2019.

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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BME

BME is the German Association for Materials Management, Purchasing and Logistics, founded in 1954. It provides services for around 9000 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME promotes a dialogue between business and academia, both on the demand and the supply side, by providing the necessary networks for communication and knowledge exchange. The association is open to all company types from any sector (industry, trade, banking/insurance, public sector, service providers, etc.).

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