

IHS Markit / BME Germany Manufacturing PMI®

Upturn in manufacturing continues in January, despite growing risks from supply chain disruption

Key findings

Output and new orders continue to rise in January, albeit at slower rates

Job losses ease as expectations improve to record high

Cost inflation rises sharply amid unprecedented reports of delivery delays

Data were collected 12-22 January

The upturn in the German manufacturing sector continued into the new year, with January PMI® survey data from IHS Markit showing further gains in output and new orders across the sector. The rate of factory job shedding meanwhile slowed as goods producers reported record optimism towards future activity.

However, the survey also revealed a growing incidence of supply-chain bottlenecks linked to shortages of inputs and a lack of available shipping containers, which in turn contributed to a spike in input cost inflation and lower inventories at manufacturers.

At 57.1 in January, the headline IHS Markit/BME Germany Manufacturing PMI® – a weighted aggregate of measures of new orders, output, employment, suppliers' delivery times and stock of purchases – remained firmly inside growth territory, albeit down from December's near three-year high (58.3) and the lowest for four months.

January data pointed to another marked rise in production volumes across the German manufacturing sector. The rate of growth signalled was slower than those seen in each of the previous four months but still elevated by historical standards.

It was a similar picture for new orders, growth of which remained strong but showed a slight loss of momentum. That was despite a sharp and slightly accelerated increase in international sales, with surveyed businesses frequently commenting on higher demand from China and the US.

The sustained upturn in order book volumes was reflected in a further rise in backlogs of work at manufacturers in January. A number of firms reported meeting demand by selling directly from their stocks of finished goods, which fell sharply and for the eighth month in a row.

Still, manufacturers continued to trim workforce numbers during January, continuing a trend of job shedding going back almost

continued...

Germany Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Phil Smith, Associate Economics Director at IHS Markit, said:

"The German manufacturing sector remained in growth territory in January and is doing a lot of the heavy lifting in terms of supporting overall economic activity during the current lockdown.

"However, the survey gives some cause for concern regarding the growing incidence of supply delays. Increasing demand for inputs from manufacturers, combined with shortages of materials and shipping containers has created a perfect storm for supply chains, with January's survey indicating a record increase in lead times.

"Whilst any impact on actual production levels seems to have been only limited so far, with output keeping pace with new orders, we are seeing declining levels of inventories at manufacturers, and therefore a growing risk of disruption.

"Supply bottlenecks have led to a spike in costs, with purchasing price inflation accelerating to a two-and-a-half year high in January. Despite these issues, however, manufacturers remain buoyed by the prospect of improved demand conditions in the year ahead, with output expectations at a record high."

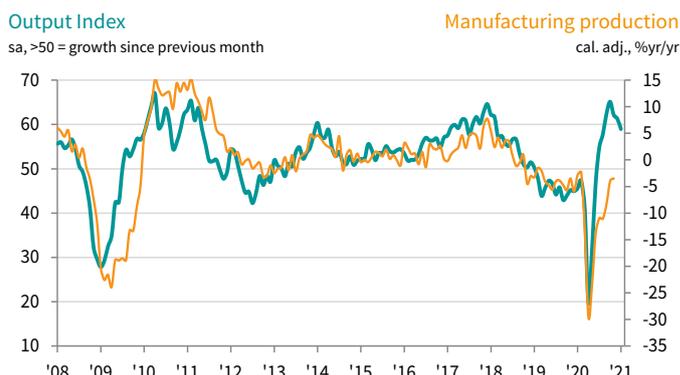
two years. However, the rate at which employment fell was the slowest since June 2019, reflecting not only growing pressure on capacity but also improved expectations for future output.

The degree of optimism shown by manufacturers towards production levels in a year's time strengthened to a series record high (since July 2012) in January. Many firms were hopeful of a further recovery in demand and client investment once the coronavirus disease 2019 (COVID-19) vaccine rollouts were well under way.

In the near-term, however, January's survey pointed to growing risks from supply chain disruption. The number of reports of delivery delays reached a record high at the start of the year, reflecting a combination of growing pressure on suppliers, shortages of materials and components, and logistical issues, particularly around the availability of shipping containers.

There was an associated acceleration in the rate of input price inflation faced by German manufacturers to the highest since July 2018. Increased costs were largely absorbed by goods producers, however, with average factory charges rising only modestly and at a slower rate than in December.

Stock of purchases at German manufacturers fell for the ninth month running in January. Furthermore, amid several reports of delays in the delivery of inputs, the rate of decline in pre-production inventories accelerated to the quickest for a year. Goods producers ramped up their purchasing activity, accordingly, citing efforts to support production levels and ensure future availability of inputs with long lead times.



Sources: IHS Markit, Bundesbank.

Contact

Phil Smith
Economics Associate Director
IHS Markit
T: +44-1491-461-009
phil.smith@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@ihsmarkit.com

Survey 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

January data were collected 12-22 January 2021.

Survey data were first collected April 1996.

Flash vs. final data

Flash data were calculated from 94% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

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

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The BME is the German Association for Supply Chain Management, Procurement and Logistics. Founded in 1954 it provides services for around 9750 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME liaises between businesses 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.).

Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME)
Frankfurter Str. 27
65760 Eschborn
GERMANY

Contact: Frank Rösch, Head of Press and Communications
E-mail: frank.roesch@bme.de Internet: www.bme.de