

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

Record contraction in Germany's service sector as impact of coronavirus outbreak hits domestic economy

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 37.2 (Feb: 50.7). 133-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 34.5 (Feb: 52.5). Record low.
- Flash Germany Manufacturing PMI⁽³⁾ at 45.7 (Feb: 48.0). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 42.2 (Feb: 47.3). 92-month low.

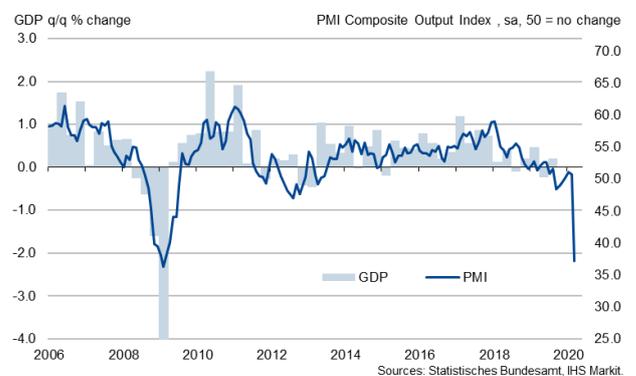
Data collected March 12-23

Business activity in Germany fell sharply in March, led by a record contraction in the country's service sector, according to the latest 'flash' PMI® survey data from IHS Markit. The headline **Flash Germany Composite PMI Output Index** plunged from 50.7 in February to 37.2, its lowest since February 2009. The preliminary data were based on responses collected between March 12-23.

The sharp drop in activity in March was driven by the service sector, where businesses highlighted the impact of efforts to contain the spread of the coronavirus disease 2019 (COVID-19). The **Flash Germany Services PMI Activity Index** came in at 34.5, its lowest since data collection for the service sector started in June 1997.

Data also showed a deepening downturn in the manufacturing sector. Production fell sharply and at the joint-fastest rate since early-2009 (matching the rate of decline seen in July 2012, at the depths of the eurozone debt crisis). The headline **Flash Germany Manufacturing PMI** sank to 45.7, though it was supported somewhat by a further increase in supplier delivery times – the most marked since July 2018 – and a noticeably slower fall in stocks of purchases, both linked to supply-side disruption.

IHS Markit Germany Flash PMI



March saw a sharp drop in firms' **order book volumes**, as coronavirus-related disruption weighed heavily on demand. New business in the service sector showed a record decrease, with the data highlighting a steep drop in new work from both domestic and international clients. The decline in manufacturing new export orders meanwhile continued to gather pace, reaching the fastest since April 2009.

After increasing – albeit marginally – in each of the previous four months, **employment** across Germany's private sector returned to contraction in March. The decline was the steepest since May 2009 and was underpinned by similarly sharp drops in workforce numbers across both manufacturing and services. Data showed firms operating well below capacity, with **backlogs** falling sharply during the month. The decline in service sector outstanding business was the second-fastest on record.

Firms' **expectations towards activity in a year's time** took a significant hit in March. Manufacturing sentiment fell to its lowest since this particular series started in July 2012, while confidence in the service sector was the weakest since November 2008 (and

the second-lowest on record since mid-1997).

Elsewhere, latest data showed a marked decrease in price pressures, as the recent drop in oil prices added to the effects of generally lower demand for raw materials and other inputs. With cost inflation in the service sector falling to a near four-year low and manufacturing purchase prices dropping at an accelerated rate, March saw the first decrease in **overall input costs** since April 2016.

Efforts to support sales saw **average prices charged for goods and services** fall at the fastest rate for more than a decade in March. The decline in manufacturing factory gate prices extended to a ninth straight month, with the rate of decrease accelerating to the quickest since October 2009. Charges levied by service providers fell for the first time in more than five years.

Comment

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

“The unprecedented collapse in the PMI underscores how Germany is headed for recession, and a steep one at that. The March data are indicative of GDP falling at a quarterly rate of around 2%, and the escalation of measures to contain the virus outbreak mean we should be braced for the downturn to further intensify in the second quarter.”

“The service sector has so far borne the brunt of the government’s measures to stem the spread of COVID-19, with activity falling to the greatest extent in almost 23 years of data collection, and at a rate that already far surpasses anything seen even during the depths of the global financial crisis.”

“The downturn in manufacturing has also deepened, and the situation is much worse than the headline PMI suggests. The supply-side disruption is causing the delivery times and stocks of purchases components to move in the opposite direction to what we’d usually expect during a downturn, thereby artificially boosting the PMI. The underlying data for manufacturing output and new orders are some of the worst we’ve seen over the past decade, though not as bad as the service sector.”

-Ends-

For further information, please contact:

IHS Markit

Phil Smith, Principal Economist
 Telephone +44-1491-461-009
 Email: phil.smith@ihsmarkit.com

Katherine Smith, Public Relations
 Telephone +1-7813-019-311
 Email katherine.smith@ihsmarkit.com

Note to Editors:

Final March data are published on 1 April for manufacturing and 3 April for services and composite indicators.

The response rate for March was not affected by shutdowns in place due to the Covid-19 outbreak.

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> 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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About PMI

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