

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Germany PMI<sup>®</sup>

### Business activity remains subdued despite easing drag from manufacturing

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 49.2 (Oct: 48.9). 3-month high.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 51.3 (Oct: 51.6). 38-month low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 43.8 (Oct: 42.1). 5-month high.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 45.2 (Oct: 43.9). 3-month high.

Data collected November 12-21

Latest PMI data pointed to sustained weakness in the underlying trend in German business activity during November. The **Flash Germany Composite Output Index** – which is based on approximately 85% of usual monthly replies – registered 49.2 in November, edging up for the second month running and from 48.9 in October, but still one of the lowest readings over the past six-and-half years.

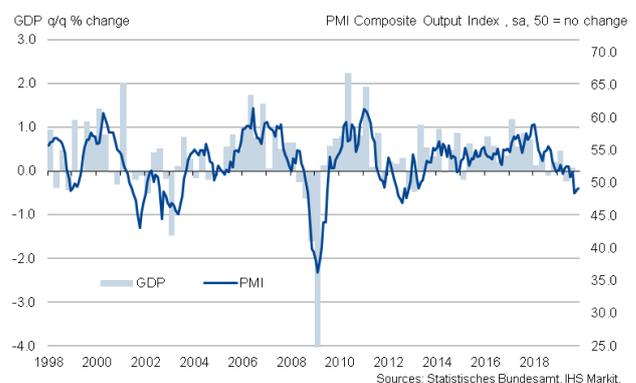
Elsewhere, employment levels steadied after falling in October, while expectations towards output edged back into positive territory.

Manufacturing remained the main area of weakness in November. That said, the sector's drag on overall output continued to ease as the rate of decline in factory production slowed for the second month running to the weakest since August. This contributed to the headline **IHS Markit Flash Germany Manufacturing PMI** ticking up from 42.1 in October to a five-month high of 43.8.

Growth of services business activity meanwhile remained subdued. The increase in services output in November was in fact the weakest since September 2016.

Weighing on business activity in November was a

#### IHS Markit Germany Flash PMI



fifth straight monthly decrease in **total new orders**. Service providers and manufacturers reported lower demand alike, though rates of decline in order books slowed to the weakest for three and ten months respectively. The downturn in **total new export business** also eased, as manufacturers recorded the slowest decrease in demand from abroad since January.

Firms reported lower **backlogs of work** for the thirteenth month in a row in November. Easing only slightly since October, the rate of decline remained marked and was the second-quickest seen over the past seven years.

After falling in October – albeit only slightly – for the first time in six years, private sector **employment** showed virtually no change during November. Job creation in the service sector moderated to a 43-month low but was nevertheless solid enough to compensate for further (albeit slower) staff cuts at manufacturers.

November meanwhile saw an improvement in **business confidence**. Though remaining low by historical standards, expectations towards output in a

year's time turned positive for the first time in four months. This reflected renewed optimism across both monitored sectors.

On the price front, latest data showed another modest rise in **average charges for goods and services**, with the rate of inflation staying close to October's 38-month low. Higher prices for services continued to contrast with discounted factory gate charges.

This dichotomy between the two monitored sectors also extended to underlying **input costs**. Whereas services firms reported a steep rise in operating expenses, linked largely to increasing wages, manufacturing purchase prices continued to fall sharply amid decreasing demand for raw materials and strong competition for new work among suppliers.

The continued emergence of spare capacity in supply chains was reflected in a further marked improvement in **lead times** on purchases. This coupled with efforts by firms to free-up working capital contributed to a further substantial reduction in manufacturing **inventories** during November.

## Comment

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

*"Beneath the subdued headline numbers the data show another slight convergence between the more domestically-focussed service sector and export-led manufacturing."*

*"While still showing a degree of resilience, the service sector is growing only modestly and at its slowest rate for over three years. By contrast, manufacturing remains firmly in contraction, but many of the indicators here are at least moving in the right direction and it would seem the worst of the downturn is over barring any shocks."*

*"A lack of employment growth remains a worry, but the survey data do at least point to support to consumer spending from low inflation and rising wages."*

-Ends-

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**Note to Editors:**

Final November data are published on 2 December for manufacturing and 4 December 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 <sup>1</sup>	0.0	0.4
Germany Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.3
Germany Services Business Activity Index <sup>2</sup>	-0.1	0.6

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> 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](mailto: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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Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) 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 <https://ihsmarkit.com/products/pmi.html>.

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