

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Germany Services PMI® – final data (with Composite PMI® data)

Services business activity growth slips to three-month low in October

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 54.7 (55.9 in September). 3-month low.
- Final Germany Composite PMI Output Index⁽¹⁾ at 53.4 (55.0 in September). 5-month low.

Data collected October 12-26

Germany's service sector saw business activity growth ease to a three-month low in October. The pace of expansion nevertheless remained robust, and job creation continued to run at one of the quickest rates seen over the past 11 years. Business confidence, however, was at its lowest in nearly two years, reflecting concerns over signs of a slowdown in economic growth, rising global uncertainties and skill shortages.

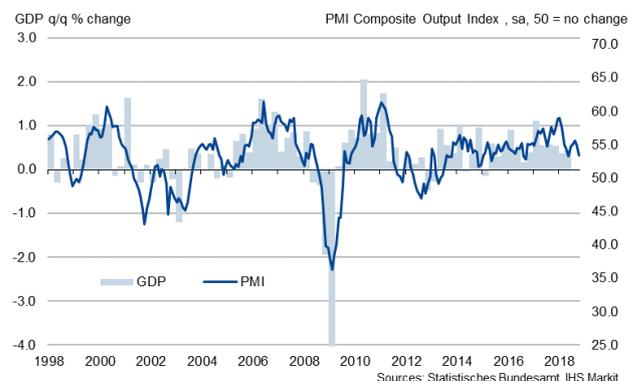
Latest data meanwhile showed a sharp and accelerated rise in prices charged by services businesses, with the rate of inflation the second-quickest seen in over 21 years of data collection.

The headline seasonally adjusted final **IHS Markit Germany Services PMI Business Activity Index** registered 54.7 in October, down from September's eight-month high of 55.9 and its lowest reading since July (but above the earlier 'flash' estimate of 53.6). The index was above its long-run average and signalled the continuation of a record sequence of growth that began in mid-2013.

The increase in business activity at the start of the fourth quarter was broad-based by sub-sector, with the strongest rates of growth found to be in Financial Intermediation and Renting & Business Activities.

The final **IHS Markit Germany Composite Output Index** came in at 53.4 in October, down from 55.0 in September but above the preliminary 'flash' estimate of 52.7. The reading was the joint-lowest seen in over two years. Alongside a slower rise in services business activity, latest data also showed manufacturing output growth easing to the weakest in nearly four years.

IHS Markit Germany Composite PMI



October saw a rise in inflows of new business across the German service sector, linked in general to stronger demand in the domestic market. Though solid by historical standards, the rate of new order growth was notably weaker than in September and the slowest for five months.

Rising workloads continued to encourage service providers to take on additional staff during October. In many cases, firms reported pressure on capacity, with backlogs of work in the sector rising for the eighth straight month and to the greatest extent since April. Accordingly, the pace of job creation remained strong and among the quickest recorded over the past 11 years, pulling back only slightly from September's recent peak.

Less positively, latest data showed that confidence among service providers was at its lowest in nearly two years. Still, the number of firms expecting activity to rise over the next 12 months remained much greater than those forecasting a decline, with planned investments, entry into new markets and new products all hoped to support growth.

Inflationary pressures in the service sector remained elevated at the start of the fourth quarter. The increase in prices charged was in fact the second-quickest in the survey history, just behind July's record. A number of firms reported passing

on higher costs to clients, with input cost inflation staying close to August's near seven-and-a-half year high. Fuel and wages remained the main drivers of cost pressures, according to anecdotal evidence.

Comment

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

"The service sector followed manufacturing in recording a loss of momentum at the start of the fourth quarter, though the good news was that the slowdown in service sector business activity growth in October was less severe than signalled by the earlier flash PMI estimate.

"In isolation, the latest numbers look generally positive: service providers reported rising inflows of new business thanks to a strong domestic market, helped by sustained strong employment growth, and on the whole they remained optimistic about the outlook. But given the deteriorating manufacturing performance, there is now greater onus on services to drive the economy, and the moderations in order book growth and business confidence show some worrying signs of vulnerability.

"Official and survey data alike have indicated the continuation of robust inflationary pressures at the beginning of the fourth quarter. The details from the PMI report showed higher fuel prices were a notable factor in driving up business costs, leading service providers to raise average selling prices at the second-quickest rate ever recorded by the survey. But perhaps more fundamental to the longer-term inflationary picture is ongoing upward pressure on salaries and wages, which continue to be pushed higher by an improving job market."

-Ends-

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Note to Editors:

The Germany Services PMI[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the German service sector. The final Germany Services PMI follows on from the flash estimate which is released a week earlier and is typically based on around 75% of total PMI survey responses each month. The October flash was based on 68% of the replies used in the final data.

The Germany Composite PMI is based on original survey data collected from a representative panel of over 800 companies based in the German manufacturing and service sectors. The final Germany Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on around 75% of total PMI survey responses each month. The October flash was based on 80% of the replies used in the final 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 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 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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