

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

October sees growth in activity continue to slow as prices surge

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 52.0 (Sep: 55.5). 8-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 52.4 (Sep: 56.2). 6-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 51.1 (Sep: 54.2). 16-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 58.2 (Sep: 58.4). 9-month low.

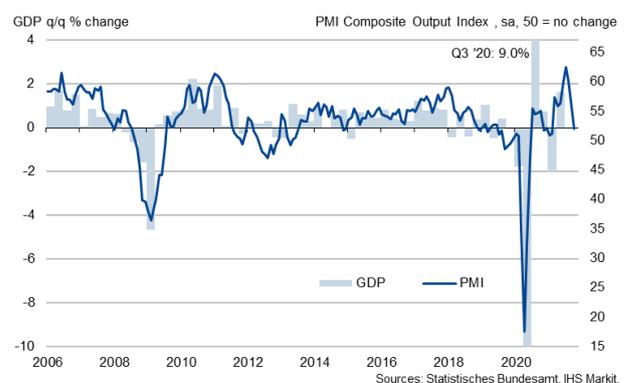
Data collected October 12-20

October's flash PMI® data from IHS Markit pointed to only modest growth in German private sector business activity, whilst at the same time highlighting persistently strong inflationary pressures as the rate of increase in charges for goods and services hit a survey-record high. The pace of job creation meanwhile remained robust as firms looked to boost capacity, with output expectations showing a slight improvement.

The **headline Flash Germany PMI Composite Output Index** showed a further loss of growth momentum in October, dropping from September's 55.5 to an eight-month low of 52.0. The index has fallen in each month since hitting a record high in July.

Factory production volumes continued to be held back by input shortages and an associated decline in demand from the automotive sector, with the Manufacturing Output Index dropping to a 16-month low of 51.1 in October. At the same time, the service sector's recovery showed further signs of waning, as highlighted by the sector's Business Activity Index slipping for the third month running to 52.4 – its lowest in the current period of growth stretching back to May. There was further evidence of supply chain issues spilling over to services.

IHS Markit Flash Germany PMI



October's flash survey pointed to the slowest rise in manufacturing new orders in the current 16-month sequence of expansion, with a number of firms highlighting the influence of ongoing chip shortages in the automotive sector. Factory export orders showed a more resilient trend than that of total manufacturing new business. Inflows of new work at services firms meanwhile rose only modestly and at the slowest rate for six months, in spite of a solid upturn in export business across the sector. Measured overall, **new orders** showed the smallest rise for eight months.

Turning to prices, latest data pointed to an uptick in inflationary pressures across the German private sector, with October seeing faster increases in both **input costs** and **output charges**.

The rate at which firms' input costs rose was the second-quickest in the survey history, just behind that seen in June. Both monitored sectors recorded accelerated rates of increase, with cost burdens continuing to rise faster in manufacturing. Here, surveyed firms commented on higher prices paid for raw materials (often metals and plastics) as well as growing energy costs. The service sector was also

impacted, seeing overall operating expenses rise at the fastest rate on record (since June 1997).

The rate of inflation in average charges for goods and services was the quickest since this series began in September 2002. Both monitored sectors saw unprecedented increases in output prices in October.

Employment numbers across the German private sector continued to rise strongly at the start of the fourth quarter, with the rate of job creation even accelerating slightly from the previous month. Surveyed businesses continued to comment on efforts to expand operating capacity. Indeed, latest data showed a sustained increase in **backlogs of work**, although the rate of accumulation eased to the weakest for seven months as growth in new business slowed.

Firms also reported hiring in the hope of greater activity in the coming months. **Business expectations** towards future activity showed a slight improvement in October and were above the historical average, although they were still the second-lowest in the year-to-date. The uptick in confidence was driven by the service sector. The degree of optimism among manufacturers, by contrast, continued to wane, dropping to the lowest since July last year.

Commenting on the flash PMI data, **Phil Smith**, Associate Director at IHS Markit said:

“October’s flash PMI data point to economic activity in Germany beginning to plateau at the start of the fourth quarter. Growth has slowed to a modest pace, with supply bottlenecks holding back manufacturing production and the rebound in services activity continuing to lose momentum, in part due to supply issues spilling over to the sector.

“Worryingly, the slowdown in growth has coincided with a re-acceleration in rates of increase in businesses’ input costs and output prices. The survey’s price gauges had looked to have peaked back in the summer, but recent surges in energy and fuel prices have helped stoke inflationary pressures, with firms raising charges to cover against higher costs in record numbers in October.

“October saw another robust rise in employment as firms look to try to catch up with demand and curb rising backlogs of work. Should the current trend in hiring continue, it may feed through to higher wages as workers’ bargaining power increases.

“We saw a divergence in the expectations of service providers from those of manufacturers, with the latter growing increasingly concerned about supply chains issues, which are expected to continue well into 2022.”

-Ends-

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Note to Editors:

Final October data are published on 2 November for manufacturing and 4 November 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 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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