

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

German PMI slips to seven-month low in January

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 50.8 (Dec: 52.0). 7-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 46.8 (Dec: 47.0). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 58.6 (Dec: 61.3). 5-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 57.0 (Dec: 58.3). 4-month low.

Data collected January 12-21

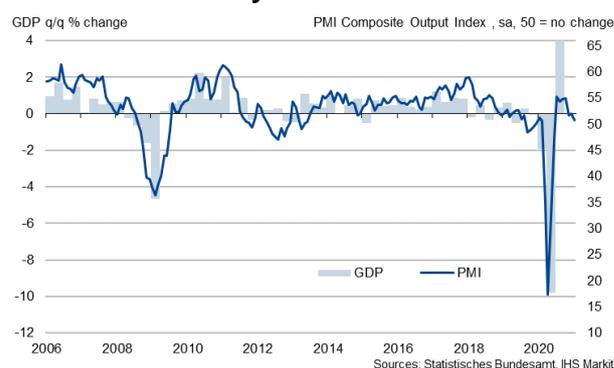
Tougher measures to control the spread of coronavirus disease 2019 (COVID-19) infections further depressed activity across Germany's service sector at the start of the year, although overall economic output in the country continued to see support from growth in the manufacturing sector and rising goods exports. That was the message from latest 'flash' PMI[®] data from IHS Markit, which also showed employment increasing slightly in January as firms' expectations for the year ahead improved.

Elsewhere, January's survey revealed unprecedented delays on the delivery of inputs to manufacturers amid growing pressure on supply chains and widespread freight disruption.

The **headline Flash Germany Composite Output Index** fell to 50.8 in January, down from 52.0 in December and its lowest reading for seven months. Sector level data showed services activity dropping for the fourth month in a row, and at a slightly quicker rate than in December (index at 46.8 from 47.0). The Manufacturing Output Index remained in growth territory in January, though slipped to a five-month low of 58.6 to show a further loss of momentum in the goods-producing sector.

It was a similar picture for **total inflows of new**

IHS Markit Germany Flash PMI



business, with a sustained downturn in new work across the service sector broadly offsetting further – albeit slower – growth in manufacturing order book volumes. Despite temporary closures across the tourism industry and restrictions on travel, German **export business** continued to rise in January thanks to another steep increase in international sales of manufactured goods. Surveyed firms often commented on stronger demand from China and the US.

January saw overall **backlogs of work** across the German private sector rise for the sixth month running. The rate of accumulation was only modest, however, as an increase in the manufacturing sector contrasted a further decline across services.

Employment across Germany's private sector crept higher in January, reversing the slight decline seen at the end of 2020 and marking the second rise in the past three months. The increase was driven by an acceleration in the rate of job creation across the service sector to the quickest seen since before the outbreak of COVID-19 last March. At the same time, the drag from falling factory workforce numbers eased, with manufacturers reporting the slowest decline in employment since June 2019.

The situation in the labour market was helped by a further improvement in **business expectations** towards activity over the next 12 months. The overall degree of optimism was the highest for almost three years, with businesses hopeful that the loosening of restrictions later in the year would help drive a recovery in economic activity and demand. Confidence improved in both monitored sectors, with sentiment in manufacturing increasing to the highest on record (data collection for this series started in July 2012).

Elsewhere, latest data showed a stagnation in **average prices charged for goods and services** in January. However, this masked growing upward pressure on costs faced by businesses, especially goods producers. Purchase price inflation in the manufacturing sector accelerated sharply to the quickest since July 2018.

The steep rise in prices faced by manufacturers was partly linked to growing strain across supply chains, with surveyed businesses highlighting a combination of increasing demand for inputs, shortages and bottlenecks arising from limited freight capacity and a lack of available shipping containers. Notably, **average lead times** on purchases showed the greatest increase in the series history (since April 1996).

Comment

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

“There were few surprises from January’s flash Germany PMI release, with the manufacturing data remaining strong but showing a slight loss of momentum, while services activity was further depressed by the lockdown measures introduced in the middle of December.

“All in all, the German economy has made a slow start to the year, and the extension of the current containment measures until at least mid-February means this looks like being the picture for several more weeks to come.

“Manufacturing remains a relative bright spot, aided by a sustained upturn in goods exports. Manufacturers are brimming with confidence about the outlook, with output expectations in the sector now at a record high. They are seemingly undeterred by the growing troubles on the supply side, as reports of delays on the delivery of inputs reached an unprecedented level in January. We are, however, seeing a corresponding surge in firms’ costs, though still no sign of broader inflationary pressures as average output prices stagnated.”

-Ends-

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Final January data are published on 1 February for manufacturing and 3 February 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 PMI 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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