

## IHS Markit / BME Germany Manufacturing PMI®

### Manufacturing recovery continues in November, albeit with slight loss of momentum

#### Key findings

Output and new orders continue to rise strongly, but rates of growth ease

Factory employment shows slowest decline since June 2019

Input price inflation at 21-month high as supply chains pressures increase

Data were collected 12-23 November

The health of Germany's manufacturing sector continued to improve in November, latest PMI® survey data showed. There was a slight loss of momentum in the pace of growth, however, with both output and new orders rising more slowly amid a second wave of coronavirus disease 2019 (COVID-19) cases and new lockdown measures at home and abroad.

At 57.8, the headline IHS Markit/BME Germany Manufacturing PMI® – a weighted aggregate of measures of new orders, output, employment, suppliers' delivery times and stock of purchases – remained firmly inside growth territory in November. Notably, however, the latest reading was down slightly from October's two-and-a-half year high of 58.2, the first fall in the PMI for seven months.

The slight drop in the headline PMI was in part driven by the new orders index which, after hitting a record high in October, pointed to the slowest rate of growth for three months (albeit one that was still sharp by historical standards). Detailed data showed renewed weakness in demand for consumer goods, which was in turn partly linked to the closure of the hospitality sector. Makers of intermediate and capital goods recorded further sharp increases in new orders, albeit with some reports of the second wave of virus infections causing hesitancy among clients.

November's survey showed the manufacturing sector being supported by sustained growth in new export orders. Surveyed firms commented on rising sales to mainland Europe and Asia, especially China. Although the rate of increase ticked down to a three-month low, it was still strong overall.

It was a similar picture for output levels, which rose sharply again in November, but at the softest rate since August. Strong growth in the intermediate and capital goods categories overwhelmingly offset renewed weakness in consumer goods production.

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Germany Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

Commenting on the latest survey results, Phil Smith, Associate Economics Director at IHS Markit, said:

"November's PMI survey produced another set of positive results, showing the health of the German manufacturing sector firmly on the mend. Given the emergence of the second wave of COVID-19 infections and the fact that the survey's new orders index had reached a record high the month before, the loss of momentum in November doesn't come as a surprise.

"Moreover, the survey highlights that the goods-producing sector wasn't completely immune to the impact of November's new lockdown measures, with closures across hospitality having a knock-on effect on consumer goods production in particular. However, helped by a tailwind of rising export sales, the bulk of manufacturing showed resilience, seeing only a small impact from some increased hesitancy among clients.

"The extension of the lockdown poses some downside risk to the sector's immediate outlook, though the survey shows that manufacturers are highly optimistic about their prospects for 2021."

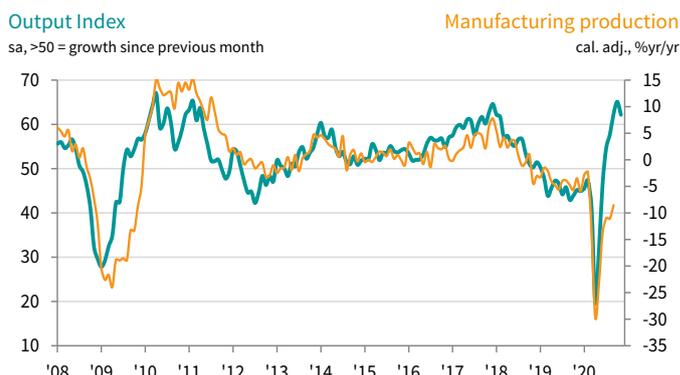
German manufacturers continued to trim payroll numbers during November, citing lower capacity utilisation since the pandemic and efforts to cut costs. However, having eased for the fourth month in a row, the rate of decline in factory employment was the slowest since June 2019.

Contributing to the slowdown in staff cuts was a further build-up of backlogs of work. Work-in-hand accumulated at a sharp rate that was little-changed from October's 34-month high.

In some cases, firms reported sales outstripping production which, coupled with deliberate efforts by some manufacturers to streamline inventories, led to a sharp and accelerated drop in stocks of finished goods – the most marked since October 2009. Pre-production inventories also fell at a quicker rate in November, the fastest seen since January, despite manufacturers ramping up their purchasing activity during the month.

November saw supply chain pressures increase, with lead times on inputs lengthening to the greatest extent since the COVID-19 related shutdowns in April. This was a factor behind an uptick in input price inflation which, after turning positive in October for the first time in one-and-a-half years, strengthened to a more solid rate that was the fastest since February 2019. Factory gate charges also increased more quickly in November, though the rate of inflation remained only mild overall.

Lastly, November's survey highlighted a rise in manufacturers' expectations towards output over the next 12 months. The degree of optimism was the second-highest on record (since July 2012), supported by growing hopes of an end to the pandemic and an improvement in demand.



Sources: IHS Markit, Bundesbank.

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### Survey methodology

The IHS Markit / BME Germany Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

November data were collected 12-23 November 2020.

Survey data were first collected April 1996.

### Flash vs. final data

Flash data were calculated from 95% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

### About PMI

Purchasing Managers' Index® (PMI®) 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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)

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### About BME

The BME is the German Association for Supply Chain Management, Procurement and Logistics. Founded in 1954 it provides services for around 9750 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME liaises between businesses and academia, both on the demand and the supply side, by providing the necessary networks for communication and knowledge exchange. The association is open to all company types from any sector (industry, trade, banking/insurance, public sector, service providers, etc.).

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