

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

March sees strong upturn in German business activity thanks to booming manufacturing sector and partial lifting of lockdown measures

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 56.8 (Feb: 51.1). 37-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 50.8 (Feb: 45.7). 7-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 68.5 (Feb: 61.7). Record high (since April 1996).
- Flash Germany Manufacturing PMI⁽³⁾ at 66.6 (Feb: 60.7). Record high (since April 1996).

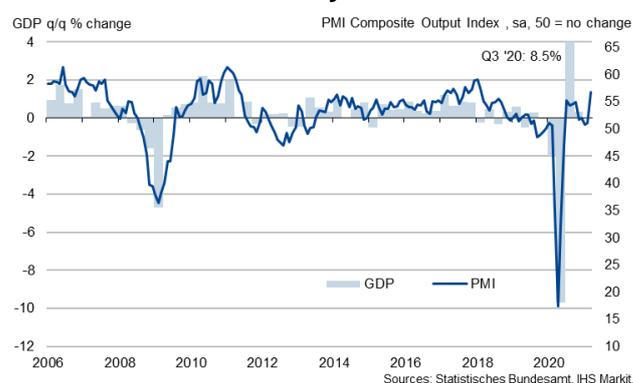
Data collected March 12-23

Germany's private sector economy had a strong finish to the opening quarter of the year, March's 'flash' PMI[®] data from IHS Markit showed, with business activity rising steeply on the back of record growth in manufacturing and a mini revival in the service sector as coronavirus disease 2019 (COVID-19) lockdown measures were partially eased.

The 'flash' survey – which was conducted between 12-23 March and therefore saw most responses collected prior to the announcement of an extension to lockdown measures – also showed a pick-up in business optimism and a quickening rate of job creation. Less positively, however, inflationary pressures intensified, led by a near-record rise in manufacturing input costs as supply conditions deteriorated further.

The **headline Flash Germany PMI Composite Output Index** sprang to a 37-month high of 56.8 in March, up from 51.1 in February. The result was driven by improved performances across both manufacturing and services. The survey's Manufacturing Output Index registered at a record high of 68.5, reflecting widespread reports of production levels being ramped up in line with

IHS Markit Flash Germany PMI



growing order books. The Services Business Activity Index meanwhile moved into growth territory for the first time since last September, registering 50.8, helped by the easing of some lockdown restrictions during the month.

Overall new business showed the steepest rise for six months in March. New work at service providers moved closer to stabilisation, falling at the slowest rate in the current six-month sequence of decline, but continued to be undermined by a lack of demand from international clients. This was in stark contrast to the picture in manufacturing, where firms reported rising sales to Asia (particularly China), Europe and the US leading to record growth in goods export orders.

Many manufacturers highlighted difficulties keeping up with demand, which was reflected in an unprecedented rise in factory **backlogs of work**. This more than offset a further – albeit slower – fall in outstanding business across the service sector, with the net result being the steepest rise in overall work-in-hand since December 2017.

The pace of **job creation** across the German private

sector accelerated to its quickest since June 2019 at the end of the opening quarter. A slightly faster rise in service sector employment coincided with a return to growth of factory workforce numbers for the first time in more than two years.

Elsewhere, March's survey highlighted increasing inflationary pressures across the German private sector, stemming from rising commodity prices and transport costs. **Average input prices** faced by businesses showed the steepest increase in a decade, with rates of cost inflation at 14- and 121-month highs for services firms and manufacturers respectively.

Average prices charged for goods and services meanwhile rose to the greatest extent for two years in March. While services firms increased their output prices for the first time in three months, the main driver was a further acceleration in the rate of factory gate price inflation to a series record high (since September 2002).

The strong cost pressures faced by manufacturers especially were largely the result of supply shortages and limited transport availability, the survey showed. March saw record reports of delivery delays for a third straight month, with surveyed firms highlighting slow shipments from Asia in particular.

Still, manufacturers remained strongly upbeat about the **year-ahead outlook** for output. The degree of optimism was down slightly since February but still the third-highest on record (since July 2012). Service providers meanwhile raised their expectations for future activity, recording their highest level of confidence since March 2018.

Comment

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

"The 'flash' PMI pointed to a notable upturn in German business activity in March, with the data therefore hinting at the prospect of a better-than-expected economic performance in the first quarter. The result owed to a combination of survey record growth in manufacturing output and a better performance from services, where some firms benefitted from the slight easing of lockdown restrictions.

"The sustained upturn in the factory sector has seen the manufacturing PMI reach unprecedented heights, with growth in global demand for German goods showing no signs of abating and businesses reporting that previously-delayed investments are now being realised. On the flip side, however, supply chains are coming under increased pressure from the upturn in the manufacturing sector, which is pushing up factory input costs at one of the quickest rates in nearly 25 years of data collection.

"We're also seeing price pressures increasingly emerging in the service sector, with average charges for goods and services now rising at the fastest rate for two years. Adding to the inflationary story was an acceleration in the rate of employment growth, as manufacturers finally signalled a return to job creation after a long period of retrenchment.

"Businesses remain highly optimistic about the outlook over the coming year, with many pinning their hopes on progress in the vaccine rollout. However, with the "emergency brake" restrictions coming into effect in April to stem a third wave of infections, the immediate outlook looks less promising."

-Ends-

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Note to Editors:

Final March data are published on 1 April for manufacturing and 7 April 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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