

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

German economy continues to show strong rate of recovery as PMI hits record high in July

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 62.5 (Jun: 60.1). Record high since Jan 1998.
- Flash Germany Services PMI Activity Index⁽²⁾ at 62.2 (Jun: 57.5). Record high since Jun 1997.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 63.0 (Jun: 65.2). 2-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 65.6 (Jun: 65.1). 3-month high.

Data collected July 12-22

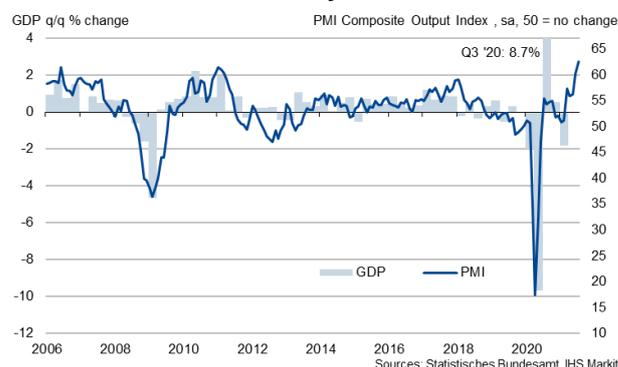
The German private sector maintained strong momentum in its recovery, latest flash' PMI® data from IHS Markit showed, with the survey's headline index reaching a record high in July. Buoyed by strengthening demand and growing capacity pressures, firms took on staff at an unprecedented rate during the month.

On the price front, rates of increase in input cost and output charges showed a slight correction from May's record highs, but nevertheless pointed to ongoing strong inflationary pressures as supply struggled to keep pace with demand.

July saw the **headline Flash Germany PMI Composite Output Index** rise from June's 60.1 to 62.5, marking its highest reading since comparable data were first available in January 1998. The uptick in the index was driven by an ongoing rapid recovery in services activity, linked to the easing of virus containment measures and growing demand, with the respective seasonally adjusted index reaching a record high of 62.2 (services data were first collected in June 1997).

At 63.0, the Manufacturing Output Index remained in strong growth territory but slipped from June's 65.2,

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amid reports from a number of companies of production levels being constrained by material shortages.

Manufacturing order books, by contrast, showed a further acceleration at the start of the third quarter, growing at the quickest rate since April. With services new business also increasing at a quicker pace in July (the second-fastest in the series history behind that seen in January 2011), the rate of growth in **overall inflows of new work** reached an all-time high.

Data showed a broad-based increase in **new export business** by sector in July. However, across both manufacturing and services, rates of growth ticked down slightly since June.

Imbalances between supply and demand were underscored by a second straight record increase in **backlogs of work** across Germany's private sector economy in July. Outstanding business accumulated particularly sharply across manufacturing, although data also pointed to growing capacity pressures at services providers, who noted the steepest rise in work-in-hand for over a decade.

The recovery in demand and associated build-up of outstanding business fuelled a further steep rise in **employment** in July. Furthermore, the pace of job creation accelerated to a record high, with both manufacturers and service providers recording unprecedented increases in workforce numbers.

Strong inflationary pressures remained a prominent feature of the survey data in July, with charges for goods and services continuing to be raised in line with higher costs. The rate of **input price inflation** ticked down for the first time in eight months from a record high in June, though it was still quicker than at any other time in the series history. The result was driven by the service sector and masked an acceleration in manufacturing purchase price inflation to a new all-time high.

It was a similar picture for **output prices**, with a slightly slower (but still strong) increase in services charges contrasting with a sharp and accelerated rise in factory gates prices. The combined rate of inflation was the second-fastest seen since this series began in September 2002.

Lastly, July data showed a slight easing of **firms'** optimism towards year-ahead growth prospects. Expectations pulled back from a record high in June as both manufacturers and services providers reported reduced confidence about the prospect of activity rising over the next 12 months. That said, sentiment was still strongly positive by historical standards.

Comment

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

“Germany’s private sector economy remains in the fast lane to recovery, according to July’s flash PMI survey. Buoyed by a resurgent service sector, the survey’s headline index is now at a record high and signals that the recovery still possesses strong momentum at the start of the third quarter.

“Across the manufacturing sector, the picture on the demand side remains highly positive, but July’s survey suggests that output has fallen further behind new orders as supply shortages continue to constrain production growth. These supply-demand imbalances across the goods-producing sector are further underscored by a near-record increase in backlogs of work as well as unprecedented price increases.

“Businesses are less confident in regards to growth prospects over the coming year, which in some ways is to be expected as activity in the economy gets closer to pre-pandemic levels, but it also hints at concerns towards supply-side disruption and doubts about how quickly the remaining restrictions can be lifted. Still, in the context of series history, expectations for now remain highly positive, and this optimism continues to help drive a strong rebound in employment levels.”

-Ends-

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Note to Editors:

Final July data are published on 2 August for manufacturing and 4 August 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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