

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

### German private sector growth remains strong at start of Q2

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 56.3 (57.1 in March). 2-month low.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 54.7 (55.6 in March). 2-month low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 58.2 (58.3 in March). 2-month low.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 59.2 (59.9 in March). 3-month low.

Data collected April 11-20

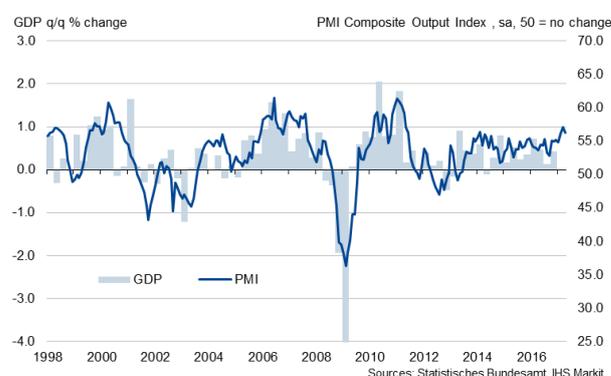
German economic growth remained strong at the start of the second quarter of 2017, despite slower increases in both manufacturing output and services activity compared with the highs seen in March. The April *PMI*® survey data also registered slightly softer rates of new business expansion and job creation, plus a slight moderation in price pressures.

The **Markit Flash Germany Composite Output Index** registered 56.3 in April, down from March's near six-year high of 57.1. This signalled the first easing in growth of private sector business activity since the start of the year, but still the second-fastest rate of expansion in over three years. The latest data extended the current sequence of continuous growth to four years.

There were slightly weaker increases in output at both **service providers** and **manufacturers** in April. Manufacturing production growth eased from February's 38-month record, but was nonetheless the third-fastest since the start of 2014. Meanwhile service sector activity increased at a solid pace that was broadly in line with the average seen over the first quarter as a whole.

**New business** expansion also lost some momentum in April, but remained strong overall.

#### Markit Germany Flash PMI



The extent of the easing in new order growth was more notable than that registered for total activity. This reflected a comparatively slower rise in service sector new business, which increased at the weakest rate since January. Manufacturing new order growth eased only slightly from March's 71-month record. New export orders at goods producers increased at the second-fastest rate in six years.

The ongoing strength of business conditions in manufacturing in particular was reflected in the headline **Markit Flash Germany Manufacturing PMI** coming in little-changed from March's 71-month high of 58.3, at 58.2. The PMI is calculated from indicators for output, new orders, employment, suppliers' delivery times and stocks of purchases.

The rate of private sector **job creation** remained strong in April, easing only fractionally from March's six-year high. The manufacturing and service sectors both registered further marked increases in employment in the latest survey period.

April data revealed ongoing pressure on private sector capacity in Germany, as the volume of **outstanding business** increased for the eleventh successive month. This reflected sharply higher

backlogs in the manufacturing sector, as outstanding business at service providers fell for the first time in three months. Consequently, the overall rise in backlogs across both sectors was the weakest since January.

Cost pressures remained strong in April, but eased slightly compared with one month previously. **Input prices** increased for the twelfth month running, but the rate of inflation moderated for the first time since August 2016. That said, it was nonetheless the third-strongest in nearly six years. Notably, manufacturing input prices increased at the fastest rate since May 2011, linked to raw materials and steel in particular. In contrast, service sector input price inflation eased to the lowest in 2017 so far.

**Output price inflation** also moderated for the first time since August 2016, but remained strong overall as firms continued to pass on higher costs to customers.

**Output expectations** for the next 12 months remained strongly positive in April. That said, the overall strength of sentiment was the weakest in 2017 so far, reflecting a moderation in the service sector. In contrast, manufacturing output expectations were the strongest since January 2014.

## Comment

Commenting on the flash PMI data, **Trevor Balchin**, Senior Economist at IHS Markit said:

*“The German economy registered a strong start to the second quarter of 2017, according to the April flash PMI. At 56.3, the Composite Output Index lost a little ground from March’s 57.1 but is nonetheless above the Q1 average of 56.0, which itself was the highest of any quarter since Q2 2011.*

*“Although manufacturing continued its run of impressive growth in April, a closer look at the latest services data suggests that overall expansion may continue to ease in the coming months. The new business index was the lowest since January and below its 2016 trend level of 53.4. Moreover, outstanding business at service providers fell for the first time in three months and firms were the least optimistic since last November.*

*“The April survey was also notable in breaking the recent sequence of accelerating price pressures. Input price inflation slowed for the first time since August 2016, as did the rate of charge inflation. Nevertheless, both measures continued to signal strong overall inflationary pressure in the private sector economy.”*

-Ends-

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**Note to Editors:**

Final April data are published on May 2 for manufacturing and May 4 for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by Markit and is based on original survey data collected from a representative panel of 1000 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 <sup>1</sup>	-0.1	0.4
Germany Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.3
Germany Services Business Activity Index <sup>2</sup>	-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.

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 Markit. Please contact [economics@ihsmarkit.com](mailto: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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