

## News Release

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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### IHS Markit/BME Germany Manufacturing PMI® – final data

#### Manufacturing PMI hits 15-month low as sector experiences further slowdown

##### Key findings:

- Output, new orders, exports and employment all rise at a slower rate in May
- Optimism towards future output sinks to lowest since October 2015
- Input cost inflation strengthens amid rising oil prices and supply chain constraints

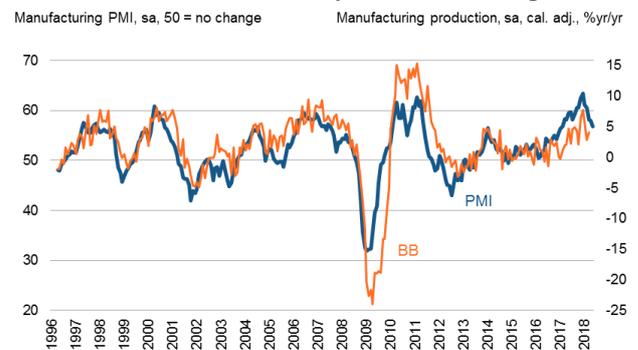
Data collected May 11-23

May saw a further slowdown in the pace of growth of Germany's manufacturing sector, with output, new orders and employment all rising at a weaker rate. Business confidence was also found to have deteriorated, with expectations towards future output the lowest for over two-and-a-half years. Rising oil prices and ongoing capacity constraints in supply chains meanwhile added further pressure on manufacturers by way of an acceleration in input cost inflation.

The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – registered 56.9 in May, down from 58.1 in April. Although still well above the 50.0 no-change threshold, and therefore indicative of a robust overall rate of expansion, the latest reading was the lowest seen for 15 months and well below last December's recent peak (63.3).

The weaker headline PMI reading was partly a reflection of slower growth in production levels. Output rose solidly in May, but having eased for the fourth time in the past five months the pace of expansion was the lowest seen since November 2016. By industry group, the data showed a further steep rise in the production of investment goods; however, makers of consumer and intermediate goods recorded notable slowdowns, with the former registering only a modest rise in output that was the weakest in more than two years.

##### IHS Markit / BME Germany Manufacturing PMI



The slower increase in production was in line with the trend recorded for new orders, which likewise continued to rise at a solid rate by historical standards, but one that was the weakest for 21 months. The export component of new orders, however, showed a much steeper slowdown than the total measure, with sales to non-domestic based clients rising only modestly and at the slowest pace in two years.

On the employment front, May data indicated a further solid rise in factory workforce numbers, despite the pace of job creation having moderated to a 15-month low. The survey continued to find evidence of pressure on manufacturers' production capacity, underlined by a further (albeit slower) increase in the level of outstanding orders.

Supply chains also remained stretched during May, with manufacturers facing a further substantial increase in average lead times on purchases. That said, the extent of the deterioration in vendor performance was the least marked for nine months amid a more moderate rate of growth in goods producers' buying levels.

Suppliers continued to enjoy strong pricing power thanks to high demand and shortages, contributing

to a further sharp increase in input costs in the sector. Furthermore, rising oil prices helped lift the rate of cost inflation to the highest since February. Manufacturers' output prices, on the other hand, rose at the slowest rate for seven months.

Signs of slowing orders weighed on business confidence in May. Although still positive overall, expectations towards output over the next 12 months were the lowest since October 2015.

### Comment

Commenting on the final IHS Markit/BME Germany Manufacturing PMI<sup>®</sup> survey data, **Phil Smith**, Principal Economist at IHS Markit said:

*“In times gone by a PMI reading of 56.9 would have been greeted with cheer; however, in the context of the current cycle this latest figure signifies a further loss of momentum in the manufacturing sector.”*

*“Capacity constraints have been a big part of the slowdown seen so far in 2018, and May’s survey continued to highlight widespread delays in supply chains and found evidence of this resulting in lost sales. A slowdown in global trade flows has added to the equation, with a sharp deterioration of export order growth to a two-year low the most worrying development to come out of the latest figures.”*

*“Anecdotal evidence from May’s survey showed that the underlying slowdown was compounded by a loss of working days due to the timing of public holidays.”*

*“In terms of prospects in the year ahead, manufacturers have significantly downgraded their expectations, with such modest growth forecasts not seen since late-2015.”*

-Ends-

### New Export Orders Index

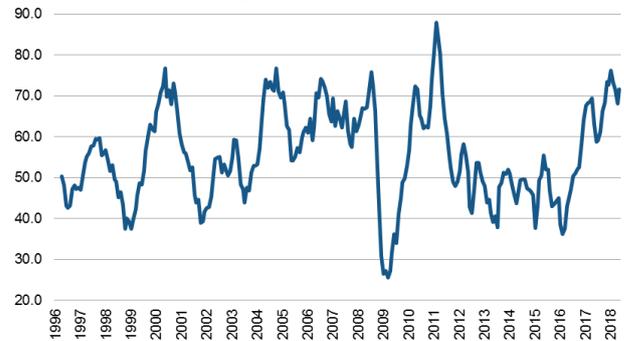
New Export Orders Index, sa, 50 = no change



Source: IHS Markit.

### Input Prices Index

Input Prices Index, sa, 50 = no change



Source: IHS Markit.

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**Note to Editors:**

The Germany Manufacturing PMI<sup>®</sup> (Purchasing Managers' Index<sup>®</sup>) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the German manufacturing sector.

The final Germany Manufacturing PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 85% of total PMI survey responses each month. The May flash was based on 91% of the replies used in the final 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 Manufacturing PMI <sup>1</sup>	0.0	0.3

The *Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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<sup>®</sup> 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](mailto:economics@ihsmarkit.com).

**Notes**

1. 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.

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