

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## Markit Germany Services PMI® – final data (with Composite PMI® data)

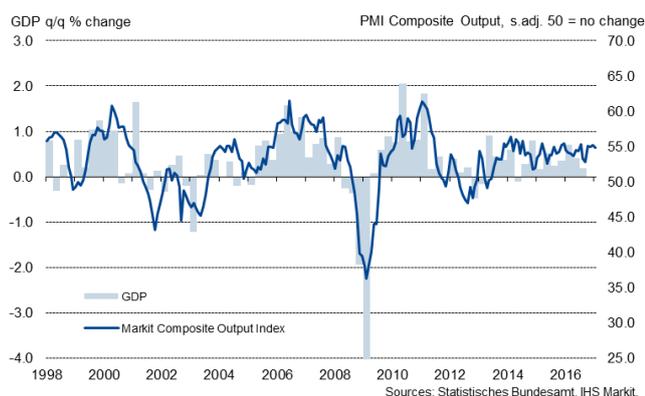
### Services activity growth eases for second straight month in January

#### Key findings:

- Final Germany Services PMI Activity Index<sup>(2)</sup> at 53.4 (54.3 in December). 4-month low.
- Final Germany PMI Composite Output Index<sup>(1)</sup> at 54.8 (55.2 in December). 4-month low.

Data collected from 12-26 January

#### Markit Germany PMI



January data signalled a second successive loss of growth momentum at German service sector firms. Both activity and new orders rose more slowly than seen throughout the final quarter of 2016. However, the respective expansions remained relatively strong, and companies were sufficiently encouraged to add to staffing levels at a robust rate. Meanwhile, inflationary pressures continued to build, particularly on the cost-side. Input prices increased at the fastest pace since early 2012, leading to another solid rise in charges.

At 53.4 in January, the final seasonally adjusted **Markit Germany Services PMI Business Activity Index** pointed to a solid expansion of output during January. That said, the latest figure was down from 54.3 in December and below the average over 2016 as a whole (54.1). Surveyed firms linked greater activity to new business gains, although there were also reports of lower demand in some cases.

The final **Markit Germany Composite Output Index** – which measures the combined output of the manufacturing and service sectors – dipped slightly to a four-month low of 54.8 in January. The reading was above the earlier flash estimate of 54.7, but below December’s figure of 55.2. This signalled a marginal slowdown in private sector output growth, with a weaker rise in services activity partially offset by a sharper increase in manufacturing production.

The amount of new orders placed at German service providers rose at the slowest rate in four months during January. Some respondents blamed the slowdown on the loss of major clients. The pace of expansion was nevertheless stronger than the average since the series began almost 20 years ago.

Services firms were undeterred by weaker growth of new work when it came to hiring extra staff. The rate of job creation accelerated to a three-month high. Furthermore, the latest rise was faster than the trend over the current 39-month sequence of jobs growth.

A larger workforce combined with moderate client demand led to a renewed fall in outstanding business during January. The drop in backlogs was the first in three months, with some panellists reporting that ongoing projects had been completed. The rate of decline was only modest, however.

Meanwhile, cost pressures in Germany’s service sector continued to mount. The rate of input price inflation picked up to the quickest in almost five years. There were reports of rises in both purchase costs (ranging from oil to IT) and salaries.

Firms’ selling prices rose as a result. The pace at which charges increased was solid overall, albeit slightly slower than in December. Output prices have risen continuously for the past two years.

Despite increasing price pressures and the recent slowdown in activity growth, German service

providers were the most upbeat since January last year. Over 29% of panellists expect output to rise in the coming 12 months, with new client wins and a general economic upturn set to boost activity. That said, political uncertainty weighed on sentiment at some companies.

### Comment

Commenting on the final Markit Germany *PMI*<sup>®</sup> survey data, **Philip Leake**, Economist at IHS Markit said:

*“January saw a further slowdown in growth of Germany’s service sector. Both output and new orders rose more slowly than in December, although each expansion remained historically strong. What’s more, they were sufficient to motivate firms to hire staff at an increased rate.*

*“With purchase prices and salaries both rising at the start of 2017, cost pressures intensified to the most marked in nearly five years. Panellists reported a broad-based rise in costs, with price hikes seen in commodities such as oil and services including IT. The rate of charge inflation was comparatively muted – consumers are therefore likely to face greater selling prices in coming months as firms look to protect margins.*

*“Despite January’s loss of growth momentum, the 12-month business outlook improved to the best for a year. A number of service providers expect to see Germany’s economic upturn sustained, which is anticipated to feed through to output growth at their units.”*

-Ends-

**IHS Markit**

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**Note to Editors:**

The Germany Services *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) is produced by Markit and is based on original survey data collected from a representative panel of over 500 companies based in the German service sector. The final Germany Services PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The January flash was based on 71% of the replies used in the final data.

The Germany Composite *PMI*<sup>®</sup> is based on original survey data collected from a representative panel of 1,000 companies based in the German manufacturing and service sectors. The final Germany Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The January flash was based on 82% 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 Composite Output Index <sup>1</sup>	-0.1	0.4
Germany Services Business Activity Index <sup>2</sup>	-0.1	0.6

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.

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 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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