

## News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL 0955 (CET) / 0855 (UTC) November 2 2017**

### IHS Markit/BME Germany Manufacturing PMI<sup>®</sup> – final data

#### Manufacturing PMI holds at six-and-a-half year high in October

##### Key findings:

- Headline PMI unchanged at 60.6
- Factory employment growth accelerates to fastest since April 2011
- Input delivery delays among worst on record

Data collected October 12-24

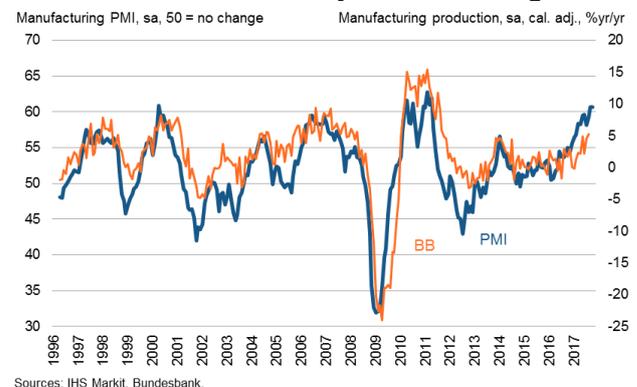
Germany's manufacturing sector continued to grow strongly at the start of the fourth quarter, according to the latest PMI<sup>®</sup> survey data from IHS Markit and BME. Production and new orders rose sharply in October, and goods producers upped the rate of job creation to the fastest since April 2011 in order to support the higher level of activity. Supply chain pressures further intensified, however, with the incidence of delivery delays among the most widespread on record and manufacturers facing sharply rising purchase prices.

The headline IHS Markit/BME Germany Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

October's PMI reading was 60.6, unchanged on September's 77-month high. The intermediate and investment goods sectors were again the best performers, with the consumer goods category continuing to lag behind.

The headline PMI was supported by stronger growth in employment and input stocks and deteriorating supplier delivery times. This was offset by slightly slower rates of growth in both output and new orders than the month before. That said, the latest increases were still among the strongest seen over the past six-and-a-half years.

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



The sector's strong growth performance continued to be partly driven by external demand. New export orders rose sharply again in October, and at the second-fastest rate since May 2010.

To meet the strong growth in new orders – which resulted in increased backlogs of work – manufacturers raised employment to the greatest extent in more than six years in October. This continued a trend of rising factory workforce numbers seen since April 2016.

Higher production requirements also led to a further increase in the quantity of purchases by manufacturers, which acted to heighten the strain on supply chains. Delivery times on inputs lengthened sharply on average, with the incidence of delays almost unsurpassed in the survey's 21-year history.

An increased appetite for safety stocks – linked to supplier delivery delays – was reflected in a fourth straight monthly rise in manufacturers' pre-production inventories in October, and one that was the most marked in 2017 so far. In contrast, stocks of finished goods continued to dwindle as firms struggled to keep pace with sales.

Elsewhere, October's survey showed a further pick-up in the rate of input cost inflation facing manufacturers to the fastest since April. The materials most often reported as up in price were steel and plastic. Output charges were raised (on average) in response to higher cost burdens, increasing at a sharp rate that was just below September's 75-month high.

Manufacturers' expectations towards growth prospects in the year ahead remained strongly positive at the start of the fourth quarter, although the degree of optimism was at a seven-month low.

### Comment

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

*“The German manufacturing sector has started the fourth quarter where it left off in the third, recording strong growth in production and adding more new jobs to the economy. The rate of job creation reached the best in six-and-a-half years in October as goods producers looked to expand output capabilities to meeting rising demand both at home and abroad.*

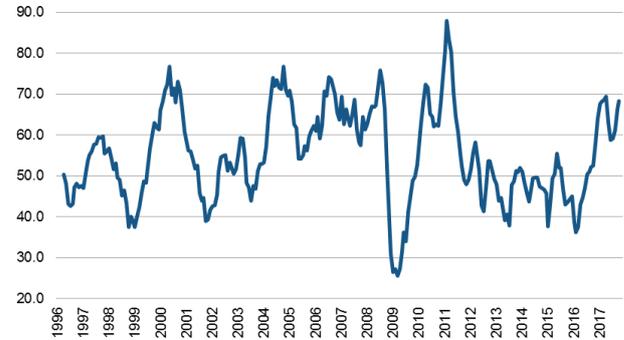
*“Such was the pressure on capacity that backlogs continued to accumulate and manufacturers faced one of the greatest increases in input lead times on record. If they haven't already done so, supply chain constraints have the potential to cap growth as manufacturers struggle to source the goods they need to keep up with demand. Indeed, the survey found a high number of items in short supply, and there are signs of more and more firms building safety stocks to guard against shortages.*

*“Although remaining elevated by historical standards, firms' confidence towards future performance dipped slightly in October to a seven-month low, perhaps another tell-tale sign that the sector's growth is close to terminal velocity. The PMI has only ever breached the 60 mark on a handful of occasions, and never for more than five months in a row.”*

-Ends-

### Input Prices Index

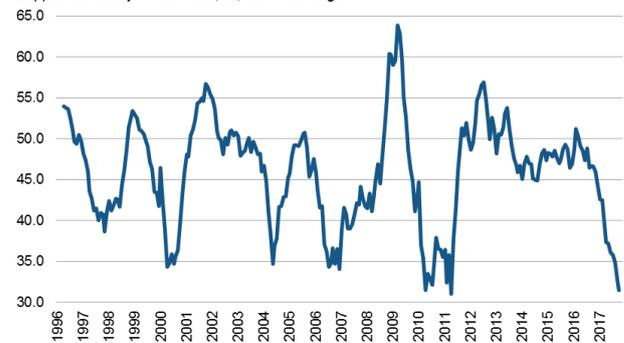
Input Prices Index, sa, 50 = no change



Source: IHS Markit.

### Suppliers' Delivery Times Index

Suppliers' Delivery Times 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 75% of total PMI survey responses each month. The October flash was based on 94% 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>®</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 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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IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

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