

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

German private sector continues to grow strongly at start of 2018

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 58.8 (58.9 in December). 2-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 57.0 (55.8 in December). 82-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 61.2 (63.3 in December). 3-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 62.2 (64.6 in December). 3-month low.

Data collected January 12-23

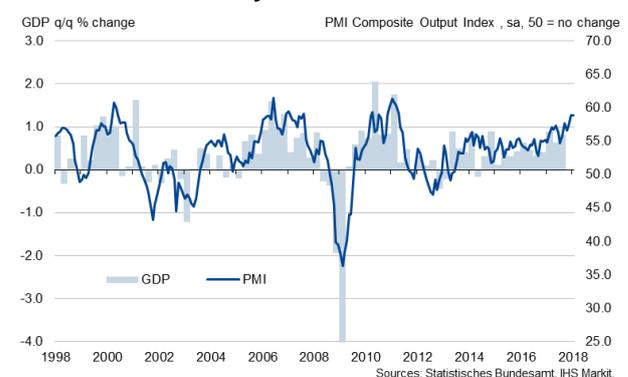
Germany's economy maintained strong growth momentum at the start of 2018 thanks to the fastest rise in service sector business activity for nearly seven years, according to January's flash *PMI*[®] survey from IHS Markit. Growth in the manufacturing sector was meanwhile below the record level seen at the end of 2017 but still among the highest seen over the past two decades.

The **IHS Markit Flash Germany Composite Output Index** registered a reading of 58.8 in January, little-changed from December's 80-month high of 58.9, with the quickest growth of services businesses activity since March 2011 offsetting a slower, but still-strong, increase in goods production.

The softer pace of expansion in manufacturing output was reflected in the **IHS Markit Flash Germany Manufacturing PMI** dipping from a record high of 63.3 in December to 61.2. Although the lowest for three months, the latest reading still pointed to an overall rate of growth that was faster than at any other time in the past six-and-a-half years.

Job creation in the private sector economy meanwhile gathered pace to reach the fastest seen

IHS Markit Germany Flash PMI



since early-2011. There were marked increases in employment across both manufacturing and services, with the latter seeing staffing levels rise to the greatest extent for ten months.

Underpinning the latest increases in output and employment was further, albeit slower, growth in the inflow of **new business** at German firms. January's rise in new orders was the least marked since August last year, but still strong compared with that seen on average since data collection began 20 years ago. Rates of increase moderated in both monitored sectors, which in the case of manufacturing partly reflected weaker growth of **new export orders** – the slowest seen for six months.

Backlogs of work continued to accumulate across the private sector economy during the opening month of the year, in line with the trend seen in every month since mid-2016. Capacity pressures were most prevalent in the manufacturing sector, where the level of work-in-hand rose sharply and **suppliers' delivery times** showed the second-greatest increase (on average) in the series history.

With manufacturers' demand for raw materials remaining strong and firms reporting associated

shortages of inputs, average purchase prices faced by goods producers rose sharply and at the fastest rate in almost seven years in January. Costs also rose more quickly in the services economy, pushing the overall rate of **input price inflation** to its highest since April 2011.

Businesses passed on higher costs in the form of increased **selling prices** for goods and services, which also rose at the fastest rate for close to seven years. Factory gate price inflation was in fact the second-fastest on record, while the increase in service sector charges was the quickest in ten months.

Finally, January's flash data showed a further improvement in German **business confidence**. The composite measure of businesses' expectations towards the year-ahead outlook for activity ticked up slightly since December to register its highest reading since the start of the series in July 2012. The improvement was driven by a rise in service sector optimism to the strongest since February 2011.

Comment

Commenting on the flash PMI data, **Phil Smith**, Principal Economist at IHS Markit said:

“German’s private sector economy has managed to sustain strong growth momentum into 2018, with January seeing a rise in business activity that came close to matching December’s 80-month record. The highlight of the latest results came from the service sector, where growth of business activity was the strongest seen for nearly seven years.

“There was a slight correction in the manufacturing PMI, which dipped from December’s record high to its lowest in three months, but the latest numbers still showed one of the best growth performances in the goods-producing sector in more than two decades of data collection.

“Alongside sustained strong growth in business activity, the flash survey results for January also showed a pick-up in price pressures, driven by spiralling costs in the manufacturing sector. The monthly increase in average prices charged for goods and services was the steepest seen for nearly seven years as robust underlying demand allowed businesses to pass on some of the burden of growing costs.

“Undeterred by ongoing political uncertainty and rising cost pressures, firms showed strong optimism towards the outlook for 2018, with the degree of confidence the highest since comparable records began in mid-2012. A strongly positive outlook among businesses was reflected in a pick-up in job creation, to show the second-steepest rise in private sector employment in the history of the survey.”

-Ends-

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Note to Editors:

Final January data are published on February 1 for manufacturing and February 5 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 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 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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