

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

Services output growth accelerates to eight-month high in September

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 55.9 (55.0 in August). 8-month high.
- Final Germany Composite PMI Output Index⁽¹⁾ at 55.0 (55.6 in August). 2-month low.

Data collected September 12-25

Germany's service sector ended the third quarter on a high, recording the steepest increase in business activity for eight months. The upturn was underpinned by stronger demand for services which, alongside elevated business confidence, led to a further acceleration in the rate of job creation in the sector to the highest for nearly 11 years.

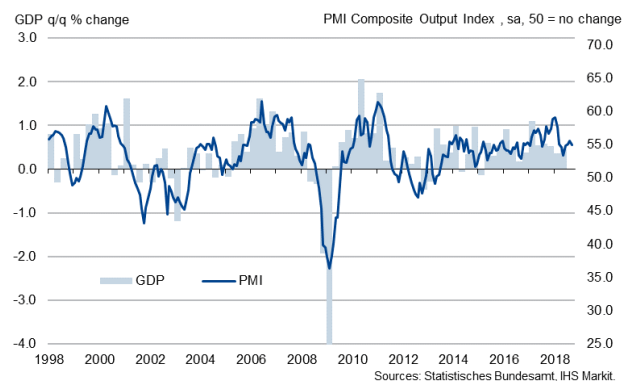
Supportive demand conditions meanwhile aided the pass-through of higher costs to customers, resulting in another steep monthly rise in average prices charged for services.

At 55.9 in September, up from 55.0 in August (but down from the earlier 'flash' estimate of 56.5), the headline seasonally adjusted final **IHS Markit Germany Services PMI Business Activity Index** was at its highest level since June and signalled the second-strongest rate of growth for more than two-and-a-half years.

Activity increased across all broad sub-sectors of the services economy, with the strongest expansions seen in Renting & Business Activities and Financial Intermediation. The laggard was Hotels & Restaurants, where activity rose only marginally amid ongoing signs of fragile demand in the sector.

The final **IHS Markit Germany Composite Output Index** came in at 55.0 in September, down from 55.6 in August and below the preliminary 'flash' estimate of 55.3. The drop in the index from the month before owed to a softening in the rate of manufacturing output growth, down to the lowest since April 2016. The average over the third quarter as a whole (55.2) was nonetheless an improvement on that seen in the three months to June (54.2).

IHS Markit Germany Composite PMI



Inflows of new business at service providers were the strongest seen since October last year, which the survey indicated was due to pick up in domestic demand. Capacity pressures in the sector remained evident, as September saw a seventh consecutive monthly increase in the level of outstanding business (albeit with the rate of accumulation softening to a three-month low).

Latest data meanwhile showed the rate of service sector employment growth accelerate for the third time in the past four months, to reach the highest in nearly 11 years. Companies that took on extra staff commented on the need to boost capacity in line with rising workplace activity, and to also meet higher future demand.

Service providers maintained a highly optimistic output for activity in the year ahead, with the survey's measure of business confidence unchanged from August. New products, better marketing and strong underlying demand are all expected to boost activity over the next 12 months.

Elsewhere, September's survey highlighted the continuation of strong pressures in services economy. The rate of input price inflation was only just shy of August's 89-month high, with panellists reporting further increases in the cost of fuel and

labour (both salaried staff and specialist tradespeople).

Service providers maintained strong pricing power in September thanks to robust underling demand, which was reflected in a further steep increase in average prices charged. The rate of inflation pulled back further from July's record high, but was still the third-quickest seen in over ten years.

Comment

Commenting on the final *PMI*[®] survey data, **Phil Smith**, Principal Economist at IHS Markit said:

“For the first time in almost two years, the service sector grew at a faster rate than manufacturing, confirming a fundamental shift in the growth drivers of the euro area’s largest economy. Exports had been a key factor behind growth throughout the two years prior to the recent cooling in global trade flows, but now domestic demand is picking up the slack and has become the principal driver of expansion.

“The slight down-tick in the rate of composite output growth in September does little to change the picture for the third quarter as a whole, with the PMI data still running consistent with around 0.5% quarter-on-quarter expansion in GDP.

“The labour market continues to go from strength to strength, with the pace of service sector job creation gathering further momentum in September to reach the highest in nearly 11 years. Echoing the trends in output, growth of services employment overtook that of manufacturing jobs amid signs of capacity pressures easing a touch at factories.

“Annual CPI inflation accelerated to 2.3% in September according to preliminary estimates, and the latest PMI data point to price pressures remaining elevated. The rate of increase in average prices charged for goods and services pulled back slightly since August, but was still among the quickest seen for over seven years.”

-Ends-

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Note to Editors:

The Germany Services PMI[®] (*Purchasing Managers' Index*[®]) 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 service sector. The final Germany Services PMI follows on from the flash estimate which is released a week earlier and is typically based on around 75% of total PMI survey responses each month. The September flash was based on 73% of the replies used in the final data.

The Germany Composite PMI is based on original survey data collected from a representative panel of over 800 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 around 75% of total PMI survey responses each month. The September flash was based on 84% 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 ¹	0.0	0.4
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 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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