

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Germany Retail PMI®

Retail PMI slips to nine-month low in April

Key findings:

- Retail sales show slowest monthly rise since July last year
- Employment levels continue to grow at relatively robust pace
- Purchase prices show steepest increase since January

Data collected from April 12-26

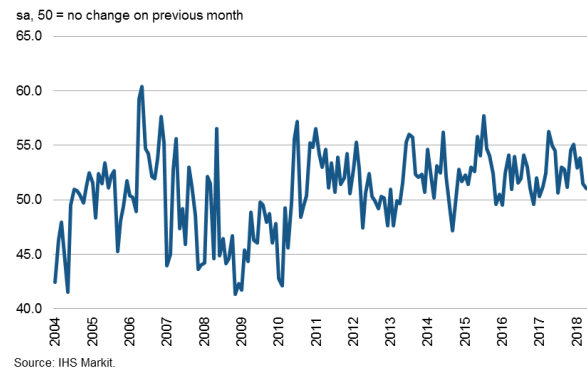
April saw like-for-like retail sales in Germany rise only slightly on a month-on-month basis, with the rate of growth easing to the weakest since July last year. Gross margins in the sector meanwhile remained under pressure partly thanks to another steep increase in average purchase prices. Still, retailers continued to take on new staff, and at a rate that was solid by historical standards.

The seasonally adjusted headline Germany Retail PMI – which tracks monthly changes in like-for-like sales – registered 51.0 in April, down from 51.5 in March and its lowest reading for nine months. The survey's anecdotal evidence pointed to a modest boost to sales from improved weather conditions after March's cold snap, but it also highlighted signs of subdued consumer demand.

Sales were also up only modestly compared with the same month a year earlier. The pace of growth on an annual basis was only marginally quicker than that seen in March, and well below the elevated rates recorded around the turn of the year.

The survey found that sales in April were generally below retailers' targets, continuing the trend seen in every month in 2018 so far.

IHS Markit Germany Retail PMI



That said, the extent of the shortfall was much less marked than that seen in March, with the gap between actual sales and plans at its narrowest since January.

Retailers' confidence in regard to the month-outlook for sales meanwhile weakened from a two-year high in March to the lowest in the year-to-date.

Despite subdued sales, retailers continued take on new staff during April, marking a seventh straight monthly increase in employment in the sector. Furthermore, the rate of job creation was unchanged from the solid pace seen in March, which had in turn been the strongest since June last year.

Retailers also increased their spending on goods for resale in April, though the rate of growth moderated in line with the trend in sales, to show the weakest rise in buying levels for six months. Stocks of goods for resale were meanwhile broadly unchanged from the month before, ending a sequence of rising inventories going back to April last year.

Elsewhere, latest data showed another steep rise in average purchase prices faced by retailers. Surveyed businesses reported increases in the cost of fresh produce and manufactured goods, while they also highlighted the impact the recent oil price recovery on transport costs. The rate of input price inflation was the highest for three months, although it stayed well below the level seen at the very beginning of the year.

Higher purchase prices contributed to a further decrease in retailers' gross margins in April, the fourth month running in which this has been the case. That said, the extent of the reduction was the least marked in this sequence.

Comment:

Phil Smith, Principal Economist, at IHS Markit, which compiles the Germany Retail PMI survey, said:

“Retail sales growth remained subdued in April according to both monthly and annual measures. While there was evidence from the survey of improved weather having driven spending after the snow disruption in March, payback from an early Easter had an offsetting effect and retailers generally noted lower-than-expected sales.

“With the recent unusual weather and the timing of Easter likely to have distorted spending patterns in recent months, May survey data will be important in providing an early gauge of the underlying health of the retail sector. But it does seem there has been a downshift in momentum from the solid sales growth seen at the end of last year, mirroring the trends observed for other parts of the economy.

“Besides subdued sales, the survey signalled a fall in retailers' confidence towards the outlook and the smallest rise in their purchasing activity for six months, both of which point to the soft patch continuing. The only real positive takeaway was further solid employment growth in the sector, which added to the upbeat labour market signals from the manufacturing, services and construction surveys.”

-Ends-

For further information, please contact:

IHS Markit

Phil Smith, Principal Economist
Telephone +44-1491-461-009
Email phil.smith@ihsmarkit.com

Joanna Vickers
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

"PMI" is an acronym for *Purchasing Managers' Index*, a type of survey developed originally for tracking business conditions in the manufacturing sector. IHS Markit now uses "PMI" to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the *PMI* surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the Germany Retail PMI, IHS Markit has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the German retail sector. Similarly, the composition of the panel by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

IHS Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure "diffusion index" for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with *PMIs* for other sectors, such as manufacturing, services and construction.

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About PMI

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