

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

Output growth at near six-year low as manufacturing downturn deepens

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 51.5 (52.8 in Feb). 69-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 54.9 (55.3 in Feb). 2-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 44.7 (47.6 in Feb). 79-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 45.0 (47.9 in Feb). 79-month low.

Data collected March 12-21

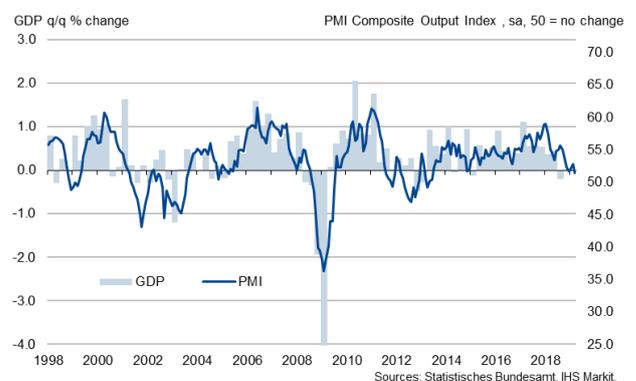
March saw private sector business activity in Germany rise only modestly and at the slowest rate for almost six years, according to the latest PMI® data from IHS Markit, with the report indicating a deepening downturn in the country's manufacturing sector. The first monthly fall in employment at goods producers in three years meanwhile saw the overall rate of jobs growth ease to the lowest since May 2016.

Elsewhere, a backdrop of solid domestic demand and sustained wage pressures drove a near-record rise in service sector output prices. This contrasted with the slowest increase in factory gate charges for almost two-and-a-half years.

The **IHS Markit Flash Germany Composite Output Index** slipped to 51.5 in March, thereby reversing the interim gains seen in January and February (when the index reached a four-month high of 52.8) and signalling the slowest rate of business activity growth since mid-2013.

The rate of increase in services sector business activity remained strong and eased only slightly from February's five-month high. However, the downturn in manufacturing output gathered pace to show the steepest decline since August 2012.

IHS Markit Germany Flash PMI



The **IHS Markit Flash Germany Manufacturing PMI** registered 44.7 in March, down from 47.6 in February and its lowest reading in over six-and-half years. The index has now fallen in 14 of the past 15 months, down from a record high of 63.3 at the end of 2017, with each of the index's sub-components imparting a negative influence since the previous survey.

Overall **inflows of new business** at German firms fell for the third month in a row in March, with the rate of decline broadly unchanged from that recorded in both January and February. A solid and accelerated rise in new work in the service sector – the most marked since September 2018 – was more than offset by a sharp contraction in manufacturing order books. The downturn in demand for German goods continued to be largely driven by a slump in new export orders, which fell for the seventh month in a row and at the quickest rate since August 2012. Anecdotal evidence highlighted delayed decision-making among clients due to uncertainty, as well as weaker demand in the automotive sector.

With data showing the steepest decline in

manufacturing **backlogs of work** in nearly a decade during March, goods producers pared back **staffing numbers** during the month. Although only marginal, it was the first decrease in factory workforce numbers in three years and represented a stark contrast to the robust rates of job creation seen in previous months. Hiring among Germany's service providers remained strong, but the overall rate of increase in employment nevertheless eased to the weakest since May 2016.

On the price front, March's survey revealed further contrasting trends between the manufacturing and service sectors. **Average prices charged** by service providers showed one the steepest increases in the survey history, reflecting robust underlying demand across the domestic market and sustained strong cost pressures, largely from wages. Factory gate charges, on the other hand, rose at the slowest rate since November 2016. These offsetting effects meant that the overall rate of output price inflation was up slightly since February.

Businesses meanwhile reported the slowest rise in **input costs** for almost two-and-a-half years in March. This was largely driven by a near stabilisation of manufacturing purchase prices, which showed the smallest monthly increase since mid-2016.

Finally, latest data showed a drop in **business confidence** towards the year-ahead outlook for activity to the second-lowest in over four years. The degree of optimism among service providers eased since February, while manufacturing sentiment fell further into negative territory to the weakest since late-2012.

Comment

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

"The downturn in Germany's manufacturing sector has become more entrenched, with March's flash data showing accelerated declines in output, new orders and exports. Uncertainty towards Brexit and US-China trade relations, a slowdown in the car industry and generally softer global demand all continue to weigh heavily on the performance of the manufacturing sector, which is now registering the steepest rate of contraction since 2012.

"The domestic market remains strong, which continues to be reflected in wage pressures and robust growth across the services sector of the economy, but the question is whether it can withstand a protracted downturn in manufacturing. The first decrease in factory employment for three years is perhaps a warning sign for the health of domestic demand, with overall job creation now running at its lowest since May 2016.

"The overall rate of output price inflation has shown little change in March, but this masks starkly different trends at the sector level. The combination of robust domestic demand and wage pressures has seen services charges increase at a rate exceeded only once in the series history, while a near-stagnation in manufacturing input costs is reflected in the weakest rise in factory gate prices in almost two-and-a-half years."

-Ends-

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Note to Editors:

Final March data are published on 1 April for manufacturing and 3 April 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 around 800 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 <i>PMI</i> 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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