

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

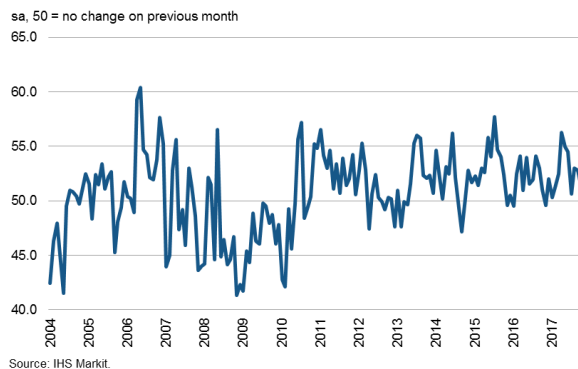
October Retail PMI shows slowest monthly sales growth since July

Key findings:

- Sales rise only modestly month-on-month
- Sales slightly lower than a year ago
- Margins squeezed by sharpest increase purchase prices since March 2012

Data collected from October 12-27

IHS Markit Germany Retail PMI



German retailers recorded the slowest month-on-month sales growth since July in October, with sales down slightly on the same period one year ago, according to the latest PMI[®] survey data from IHS Markit. There was a return to growth in retail employment, which had fallen for the first time in over seven years in September, but businesses in the sector faced the steepest rise in purchase prices since March 2012.

The seasonally adjusted headline Germany Retail PMI was at a three-month low of 51.2 in October, down from September's 52.8 and signalling only modest monthly growth in like-for-like sales.

Measured on a year-on-year basis, like-for-like sales were down slightly at the start of the fourth quarter – the first such fall in three months.

Retailers underperformed relative to their sales targets again in October, in line with the trend observed in every month since May. The said, the gap between actual sales and plans tightened considerably since September and was the narrowest for four months.

Meanwhile, retailers' expectations towards future sales performance showed a sharp improvement, with the degree of optimism the highest since April.

Factors expected by survey respondents to support sales in the coming months included a generally improving economy and more aggressive marketing.

Conversely, factors seen as potential threats to the sales outlook included the impact of the diesel scandal, unfavourable climatic conditions and reluctant consumers.

Latest data showed a renewed increase in the level of employment across Germany's retail sector in October, following the first reduction in headcounts for over seven years in September. The pace of job creation was the fastest seen since June but only moderate overall.

The level of spending on goods for resale by German retailers rose for the seventh month in a row in October. The rate of growth picked up to the fastest since May and was slightly above that seen on average in the year-to-date. Stocks of goods for resale also increased during the month, rising at a solid pace that little-changed from that seen in September.

Meanwhile, October saw a further intensification of cost pressures facing retailers in Germany. Prices paid for purchases rose sharply on average, with the rate of inflation having accelerated for the fourth month running to the highest since March 2012. This steep rise in

costs – linked by survey respondents to higher prices paid for fresh produce such as fruits, vegetables, milk and other dairy products – contributed to a further notable deterioration in retailers' gross margins during the month.

Comment:

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

“The retail sector’s performance dipped at the start of the fourth quarter, as the PMI showed monthly like-for-like sales growth easing to the lowest since July. And there was also bad news for retailers in terms of costs, which rose sharply during the month to add to the squeeze on margins.

“The survey offered some cause for optimism, however, with firms growing in confidence about future sales performance and getting back into hiring mode after a drop in employment in September. Retailers’ buying of goods for resale also picked up, growing at the fastest rate for five months.”

-Ends-

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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

Purchasing Managers' Index[®] (PMI[®]) 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.

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