

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

Service sector growth strengthens in February

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 54.4 (53.4 in January). 3-month high.
- Final Germany PMI Composite Output Index⁽¹⁾ at 56.1 (54.8 in January). 34-month high.

Data collected February 10-23

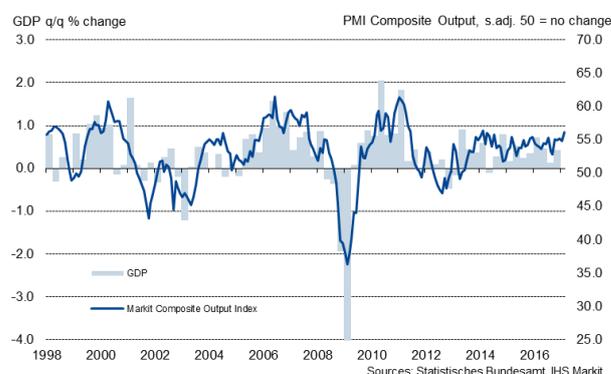
February survey data from IHS Markit signalled a recovery in growth momentum in the German service sector. Having weakened to a four-month low at the start of 2017, the rate of expansion in total business activity accelerated and was slightly stronger than the trend shown over 2016 as a whole. Moreover, new business rose at the fastest rate since February 2016 and employment growth was the strongest since June 2011. The latest survey also revealed a further build-up of cost pressures at service providers, linked to salaries and fuel, which led to the sharpest rise in charges since April 2011.

The final **Markit Germany Services PMI Business Activity Index** rose to 54.4 in February from 53.4 in January. The latest figure was above the long-run survey average of 53.1 and signalled strong overall growth of service sector output. Business activity has risen in each month since June 2013, the second-longest sequence of expansion observed since the survey started in June 1997.

Sub-sector data revealed activity growth in all areas except Hotels & Restaurants, where a sharp decline was signalled. The strongest increases were seen in Post & Telecommunication and Transport & Storage respectively.

The final **Markit Germany Composite Output Index** – which measures the combined output of the manufacturing and service sectors – rose sharply to 56.1 in February, from 54.8 in January. The latest reading signalled the strongest rate of growth in private sector activity since April 2014. **Manufacturing production** increased at the fastest rate since January 2014.

Markit Germany Composite PMI



The pick-up in growth of services activity was driven by a sharper increase in new business in February. Service providers recorded the strongest expansion in new work since February 2016, following a three-month sequence of slowing growth.

With new business intakes gathering pace in February, the volume of outstanding business held at service sector companies rose for the third time in four months. Moreover, the rate of accumulation in backlogs was the sharpest since June 2016.

German service providers addressed capacity constraints by stepping up recruitment activity in February. Service sector employment rose for a survey-record fortieth consecutive month, and at the fastest rate since June 2011. Workforces expanded in all sub-sectors monitored except Hotels & Restaurants. Across the private sector as a whole employment rose at the fastest rate since June 2011.

Cost pressures continued to intensify in February, with fuel and salaries driving average input prices up at the fastest rate since March 2012. Input price inflation has accelerated five times in the past six months. Meanwhile, service providers increased their own prices at the strongest pace since April 2011.

German service sector companies were strongly positive regarding the 12-month outlook for business activity in February. Sentiment improved for the third successive month, to the sharpest since March 2011. Firms linked optimism to improving demand, new services and stronger economic growth.

Comment

Commenting on the final Markit Germany PMI® survey data, **Trevor Balchin**, Senior Economist at IHS Markit said:

“The final PMI results for February confirmed the strongest growth of the German economy for just under three years, with the Composite Output Index unchanged from the earlier flash estimate. Underlining the positive trend in the data, business confidence improved for the third successive month to a new record high since its inception in mid-2012.

“The latest PMI data add to our expectations that economic growth will strengthen in the first quarter to at least 0.6% q-o-q, marking a strong start to 2017. IHS Markit currently expects German GDP to rise 1.9% in calendar-adjusted terms this year, which would be the best growth performance since 2011.

“The February PMI data also signalled that jobs in the private sector economy are being created at the fastest pace in over five-and-a-half years, building on the latest official unemployment figures which saw the jobless rate decline to 3.8% in January.”

-Ends-

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Note to Editors:

The Germany Services *PMI*® (*Purchasing Managers' Index*®) is produced by 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 at least 75% of total PMI survey responses each month. The February flash was based on 71% 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 at least 75% of total PMI survey responses each month. The February flash was based on 80% 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 | -0.1 | 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.

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 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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