

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

Service sector business activity growth hits two-year high in December

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 55.8 (54.3 in November). 24-month high.
- Final Germany PMI Composite Output Index⁽¹⁾ at 58.9 (57.3 in November). 80-month high.

Data collected December 5-18

Business activity in Germany's service sector rose at the fastest rate for two years in December, marking a strong finish to a highly positive year for the eurozone's largest economy, according to the latest *PMI*[®] survey data from IHS Markit.

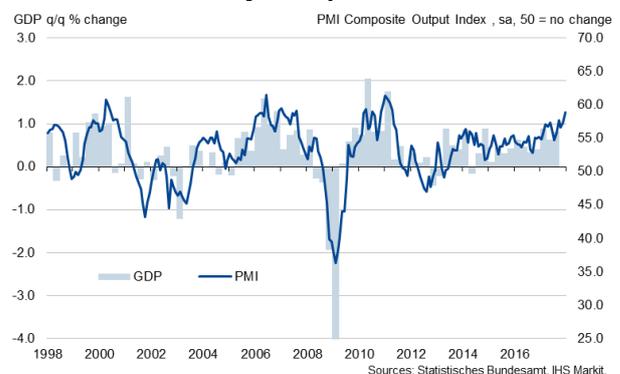
The rise in business activity was matched by similar robust increases in new work and employment, with rates of growth accelerating slightly in both cases. Furthermore, firms' confidence towards future prospects rebounded after easing in November and was among the highest seen in the past seven years.

The seasonally adjusted final **IHS Markit Germany Services PMI Business Activity Index** climbed to 55.8 in December from 54.3 in November, recording its highest reading since the final month of 2015. This latest increase in business activity extended a sequence of growth seen since mid-2013, with the average pace of expansion for the year as a whole the best since 2011.

Higher levels of business activity were recorded in all broad categories of the services economy: Financial Intermediation, Hotels & Restaurants, Other Services, Post & Telecommunications, Renting & Business Activities and Transport & Storage.

Growth of manufacturing production meanwhile accelerated for the second month running to reach the fastest seen for almost seven years, thereby lifting the final **IHS Markit Germany Composite Output Index** to an 80-month high of 58.9, from 57.3 in November.

IHS Markit Germany Composite PMI



The upturn in performance seen in the service sector in December was supported by further strong growth in new orders. Backlogs of work accumulated for a fourth consecutive month due to the strength of new order growth, albeit rising at the slowest rate in this sequence.

Firms in the service sector reacted to sustained pressure on capacity by boosting employment for the fiftieth month running. The rate of job creation was strong having accelerated to the fastest seen since May, but remained well below the peak seen in March.

Another factor supporting the ongoing rise in employment was strong confidence towards the outlook, with service providers generally expecting business activity to increase over the next 12 months. Furthermore, the degree of optimism improved to one of the highest seen over the past seven years, rebounding sharply from a three-month low in November.

Elsewhere, December's survey showed a further solid increase in average prices charged by services firms. That was despite the rate of inflation easing for the first time in three months. Selling prices have now risen in each of the past 35 months, which marks the longest sequence of inflation in the survey's 20-year history.

Businesses that raised charges often linked this to the pass-through of higher costs, which the survey showed rose at a sharp and accelerate rate amid a combination of salary pressures and higher fuel prices.

Comment

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

“2017 was a year to remember for the German economy, and it’s encouraging to see that it ended on a high for the service sector as well as manufacturing.”

“The upturn in growth in the more locally-focussed service sector in December provides evidence of stronger domestic demand helping accelerate the pace of economic expansion. Thanks to this final flurry of activity, the survey data point to GDP rising by at least 0.9% in the fourth quarter.”

“It seems that any fears about the political stalemate have been shrugged off, at least for now, with business confidence bouncing back from November’s low to indicate a strong air of optimism towards the outlook for 2018.”

-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 at least 75% of total PMI survey responses each month. The December flash was based on 67% 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 December flash was based on 82% 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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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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