

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

Strong rise in services output sustained in May

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 55.4 (55.4 in April). Unchanged.
- Final Germany PMI Composite Output Index⁽¹⁾ at 57.4 (56.7 in April). 73-month high.

Data collected May 12-25

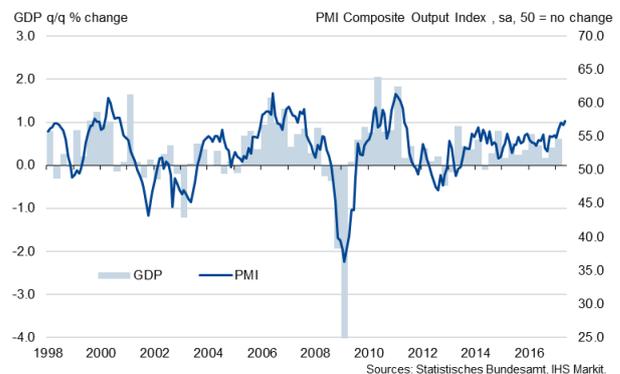
The German service sector maintained a strong rate of expansion mid-way through the second quarter of 2017, according to the latest PMI[®] survey data from IHS Markit. The rate of growth in total activity was little-changed from those seen in March and April, and stronger than the long-run survey average. New business growth picked up from April but remained weaker than the rise in total activity, enabling firms to cut their outstanding business for the second month running. Employment rose at one of the fastest rates seen over the past six years, and firms were at their most confident regarding future workloads since February 2011. Meanwhile, the rate of input price inflation slowed to a six-month low, but remained sharp overall.

The seasonally adjusted **IHS Markit Germany Services PMI Business Activity Index** remained well above the no-change mark of 50.0 in May. The Index was unchanged from April at 55.4 and close to March's 15-month high of 55.6, signalling a sustained strong expansion in service sector output. The headline figure also remained above its long-run average of 53.2 since the survey began in June 1997. Activity has risen continuously for four years, the second-longest sequence of growth in the survey history.

The seasonally adjusted **IHS Markit Germany Composite PMI Output Index** rose for the fourth time in six months in May to 57.4, from 56.7 in April. This signalled the strongest growth of private sector output since April 2011. **Manufacturing output** also increased at the fastest pace since April 2011.

Within services, growth of business activity was fastest in Financial Intermediation, followed by

IHS Markit Germany Composite PMI



Renting & Business Activities and Transport & Storage respectively. In contrast, Post & Telecommunication and Hotels & Restaurants both recorded marked declines in activity.

New business received by German service providers increased for the twenty-ninth consecutive month in May. The rate of expansion strengthened slightly from April's three-month low and was in line with the robust trend shown since the start of 2016. That said, companies were able to deplete their levels of outstanding business during the month, highlighting spare capacity in the sector, as had been the case in April.

German service sector employment rose for the forty-third consecutive month in May, the longest sequence of continuous job creation since the survey started twenty years ago. The rate of growth eased to a four-month low, but was still among the sharpest registered over the past six years.

Input prices paid by services firms in Germany continued to rise sharply in May, linked to wages, fuel and higher long-term interest rates. That said, the rate of inflation slowed further to a six-month low. Meanwhile, prices charged by service providers continued to rise at a historically marked rate.

Finally, German services companies held the strongest outlook for future activity since February

2011 in May, linked to an improving economy, investment in staff, marketing and expanded business lines.

Comment

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

“German economic growth strengthened in May to the fastest in just over six years, according to the final composite PMI data. The acceleration was driven by the manufacturing sector, where output growth continued to outpace services expansion. Notably, manufacturing new export orders rose at the fastest rate in seven years, suggesting that net exports will continue to boost GDP growth in the second quarter.

“New business growth in the service sector picked up slightly in May but remained much slower than the pace seen for manufacturing new orders. The differential between the respective PMI new business indices was the largest observed since January 2014. The comparatively slow tempo of the service sector was further highlighted by trends in backlogs, which grew strongly at goods producers but declined for the second month in a row at service providers.”

-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 May flash was based on 70% 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 May flash was based on 81% 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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