

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

Services business activity rises at slowest rate for 20 months in May

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 52.1 (53.0 in April). 20-month low.
- Final Germany Composite PMI Output Index⁽¹⁾ at 53.4 (54.6 in April). 20-month low.

Data collected May 11-25

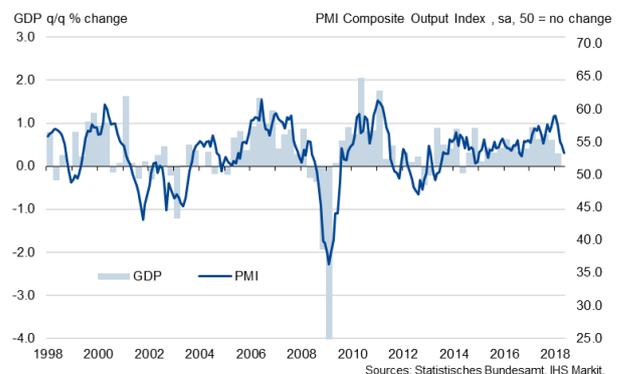
Germany's service sector experienced a further slowdown in May, with business activity rising at the weakest rate for 20 months. New orders increased only modestly, while the pace of job creation eased to the slowest seen in over two years. Inflationary pressures meanwhile picked up, driven by an acceleration in the rate of input cost inflation in the sector.

May saw the seasonally adjusted **IHS Markit Germany Services PMI Business Activity Index** fall from 53.0 in April to 52.1, its lowest reading since September 2016. The rate of business activity growth has now slowed in each of the past four months since reaching a near seven-year high in January, signalling a sustained loss of momentum in the services economy. Part of the slowdown in May, however, was attributed by surveyed firms to the loss of working days due to the timing of public holidays.

Latest data showed that Post & Telecommunications remained the best-performing segment of the services economy, with Renting & Business Activities also recording a solid rate of growth. Output was meanwhile broadly unchanged across both Other Services (which includes health, education and other personal services) and Financial Intermediation.

With manufacturing output growth likewise easing in May to its weakest since November 2016, the final **IHS Markit Germany Composite Output Index** also retreated further from its peak at the start of the year. At 53.4, down from April's 54.6, the latest reading was the lowest seen for 20 months, albeit still indicative of a solid rate of expansion overall.

IHS Markit Germany Composite PMI



The level of new business placed with German service providers exhibited the slowest rise for over one-and-a-half years in May. The rate of growth was only modest and well below the highs in 2017.

There remained a high level of pressure on capacity in the sector, despite inflows of new orders having eased. Backlogs of work grew for the eighth time in the past nine months in May, albeit at a slightly slower rate than that recorded at the start of the second quarter.

May's survey found that service providers continued to take on new staff in order to better cope with the level of demand. The rate of job creation remained solid in the context of the historical series trends, although it eased to the lowest in more than two years amid reports of a lack of availability of suitable candidates.

A further deterioration in business confidence in May was another factor that contributed to the slower pace of employment growth. Service providers generally maintained a positive outlook towards activity, but the degree of optimism eased further from February's recent peak to the lowest since August last year. Global political uncertainty was found to have weighed on business sentiment.

Finally, latest data showed a further marked rise in average prices charged for services. The rate of

inflation was among the quickest seen over the past seven years, underpinned by a steep and accelerated increase in costs that was in turn linked to fuel prices and salary pressures.

Comment

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

“The German economy is in a cooling-down phase, with business activity continuing to rise, but at a more moderate rate with each passing month. May’s increase in output across the combined manufacturing and service sectors was the weakest recorded since September 2016, with both areas exhibiting slower rates of growth that were well below those seen at the height of the boom.

“With so many businesses currently working at or close to full capacity, the loss of working days due to the timing of public holidays probably had a more discernible impact on activity than in years gone by, and contributed to the weaker growth performance in May. But regardless of any special factors, the survey’s measures of new orders and business confidence have also both fallen to multi-month lows, indicating increased risks to the outlook.”

-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 72% 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 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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