

EMBARGOED UNTIL: 01:01 (CEST) July 17th / 23:01 (UTC) July 16th 2017

IHS Markit Germany Business Outlook

Business sentiment among German firms remains strong

Key findings:

- Confidence level for business activity remains among strongest registered in series history
- German firms more optimistic than those in France, Italy and UK
- Price pressures expected to remain elevated

Data collected June 12-27

The business climate in Germany is expected to improve strongly over the next 12 months, according to the latest IHS Markit Business Outlook survey data. Private sector firms expect output to rise, with the overall degree of sentiment among the strongest since the series started in late-2009. Moreover, the outlook for employment is the strongest registered by the survey to date. Companies expect cost pressures to remain elevated, with input prices set to rise at the fastest pace in over six years.

The net balance for business activity remains firmly in positive territory at +40%, down only slightly from February's reading of +44%. Germany has exhibited stronger sentiment than France, Italy, and the UK, but is less optimistic than Spain.

Firms expect new products and markets to underpin growth of business activity over the next 12 months. Other factors include the prospect of a 'soft' Brexit, stability within the EU, better relations with Russia and growth in Asian markets. On the other hand, political risks, security concerns, US economic policy, geopolitical tensions, Brexit in general and a slower global economy are all mentioned as threats to growth.

By sector, German manufacturers are increasingly optimistic regarding the 12-month outlook for production. The net balance for goods output has risen

Germany business activity expectations



Source: IHS Markit.

for the fifth successive survey to +57%, the joint-second highest in the series history. In contrast, the related figure for the service sector is +31%, lower than in February but slightly above the long-run average since 2006 (+29%).

Globally, the outlook for business activity has remained unchanged from that seen in February, with the net balance stable at +31%. This is the joint-highest since June 2014.

Outlook for jobs at record high

The employment net balance has risen to +26%, the highest since the combined outlook series began in October 2009. This reflects record sentiment in the manufacturing sector (+37%), despite a slight easing in hiring expectations among service providers (+20%). Germany has a stronger jobs outlook than France, Italy and the UK, but a weaker one than that seen in Spain (+29%).

Strongest cost pressures since early-2011 expected

German private sector firms are expecting cost pressures to remain strong over the next 12 months. The net balance for input prices stands at +50%, the

highest since February 2011. Moreover, it is the highest in the global outlook survey, just ahead of Brazil (+49%), Ireland (+46%) and the UK (+44%). Service providers (+55%) are expecting greater increases in input prices than manufacturers (+41%).

Regarding output prices, firms are also expecting strong inflation over the next 12 months. The net balance is little-changed from February's record high of +27%, at +26%. In contrast to input prices, manufacturers are more optimistic regarding their output prices than service providers (+29% and +25% respectively).

Despite strong anticipated cost pressures, German firms are optimistic regarding margins. The profits net balance has risen to a two-year high of +17%, although this is below those registered in the other major European economies covered. Meanwhile, the outlook for capital spending has improved to a record high (+20%).

Comment:

Commenting on the Brazil Business Outlook survey data, **Trevor Balchin**, Senior Economist at IHS Markit, said:

“Mid-way through 2017 German firms remain strongly optimistic regarding business conditions over the next 12 months, and more so than their counterparts in France, Italy and the UK. This ties in with the recent strength of the PMI data, driven by a surging manufacturing sector, and the latest IHS Markit forecasts for German economic growth which is expected to hit 2% in both 2017 and 2018.

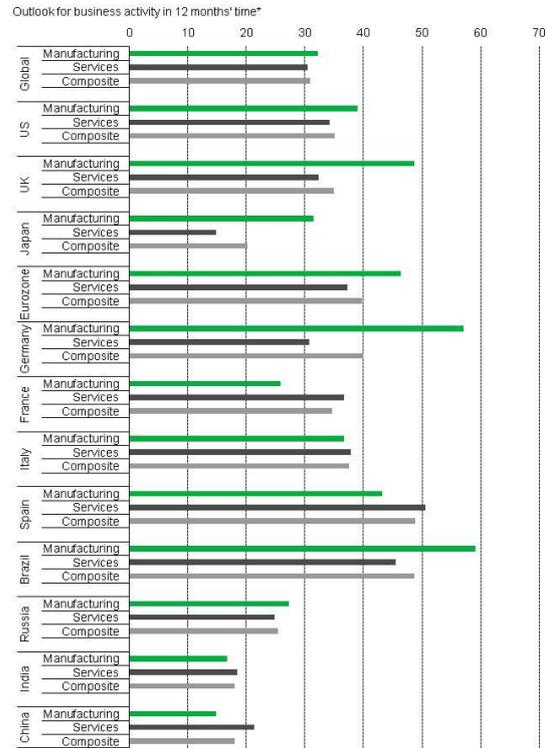
“The outlook for employment has hit a record high, with manufacturers especially upbeat regarding hiring intentions. IHS Markit currently expects German unemployment to fall to 5.7% in 2017, the lowest since 1991.

“Companies are also expecting price pressures to remain elevated, however, with Germany having the highest net balance for input prices in the global outlook survey.”

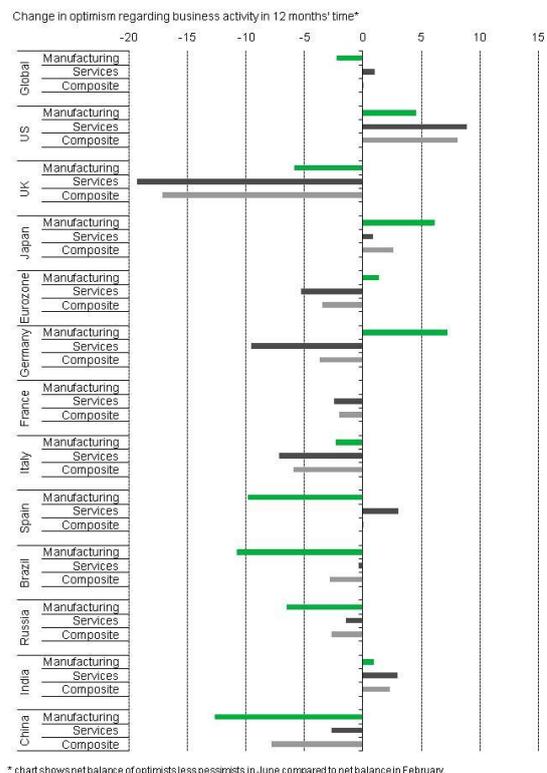
-Ends-

Full data available on request from economics@ihsmarkit.com

Business optimism in June



How business activity expectations have changed since February



For further information, please contact:**IHS Markit**

Trevor Balchin, Senior Economist
Telephone +44-1491-461-065
Email trevor.balchin@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@ihsmarkit.com

Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between June 12 and 27.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data, and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,000 firms.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Limited.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).