

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## Markit Germany Retail PMI®

### German retail sales barely rise in January

#### Key findings:

- Headline Retail PMI slips to 50.3, from 52.0 in December
- Margins worsen at fastest rate since late-2012
- Sales fall on annual basis for first time in over two years

Data collected from January 12-27

#### Summary:

This release contains the January findings from the monthly Retail PMI® survey for Germany, produced by Markit. The headline figure is the Retail PMI, which measures month-on-month changes in sales.

German retailers saw monthly sales rise only fractionally during January, with the rate of growth easing since December. The squeeze on gross operating margins intensified amid a further sharp increase in purchasing costs. As a result, firms added to payrolls only slightly.

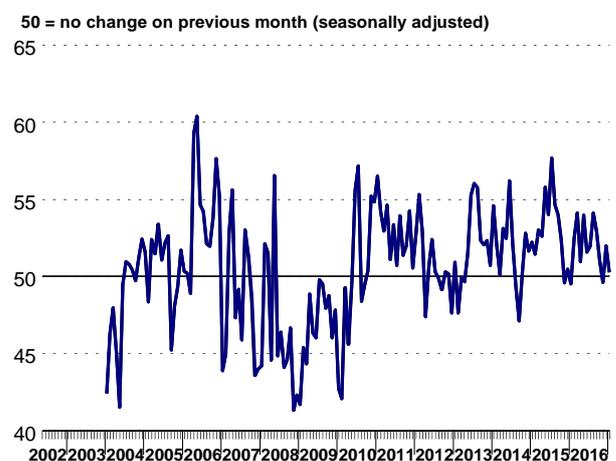
At 50.3, down from 52.0 in December, the seasonally adjusted headline Retail PMI signalled a marginal month-on-month expansion in January. Excluding a decline seen in November, the latest reading was the lowest for a year. The figure was also below the long-run series average. Some firms indicated that sales had been hampered by poor weather.

January data pointed to a year-on-year decline in German retail sales for the first time since October 2014. That said, the pace of reduction was only slight.

The one-month sales outlook remained muted in January, after having slipped to a 12-month low at the end of 2016.

Those factors expected to suppress sales growth over the next three months include upcoming elections, an uncertain outlook, new competitors

#### Markit Germany Retail PMI



Source: IHS Markit

(particularly online) and poor weather. On the other hand, panellists hoped that a spring uplift, Easter business, improving demand for automobiles, better weather and a higher client footfall would all help to boost sales over the next three months.

Meanwhile, German retailers missed their sales targets for the eighth month in a row during January. The degree of underperformance worsened substantially, with the respective index falling to its lowest since January 2016.

The rate of purchase price inflation faced by German retailers was little-changed from December's marked pace in the first month of 2017. Higher food and energy prices were reportedly behind the increase in cost burdens.

A combination of higher purchase prices and special promotional offers led to an increased squeeze on gross operating margins at German retailers. The strain was the strongest in just over four years.

The value of goods purchased for resale rose only modestly in January, in line with weaker growth of

retail sales overall. Stocks of goods for resale increased at a solid pace.

Jobs growth was only slightly faster than that seen in December. The rate of hiring was much slower than the average over the current 80-month sequence of expansion.

**Comment:**

**Philip Leake, Economist at IHS Markit**, which compiles the Germany Retail PMI® survey, said:

*“Germany’s retail sector was close to stagnation in January, after having rebounded at the end of 2016. Sales rose only slightly month-on-month, while falling on an annual basis for the first time since October 2014. Both employment and purchasing activity also increased only modestly. Worryingly, firms are simultaneously under pressure to reduce costs – the squeeze on gross margins intensified in January amid sharp purchase price inflation.*

*“Panellists tended to look ahead to the spring for hopes of a turnaround in the retail sector. Easter business, improving demand for automobiles, better weather and a higher client footfall are all expected to boost sales in the coming three months.”*

-Ends-

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### Note to Editors:

“PMI” is an acronym for *Purchasing Managers’ Index*, a type of survey developed originally for tracking business conditions in the manufacturing sector. Markit now uses “PMI” to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the *PMI* surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the Germany Retail PMI, Markit has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the German retail sector. Similarly, the composition of the panel by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure “diffusion index” for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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](mailto:economics@ihsmarkit.com).

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with *PMIs* for other sectors, such as manufacturing, services and construction.

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### About PMI

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