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## IHS MARKIT / BME GERMANY MANUFACTURING PMI®

### Manufacturing PMI falls to lowest since July 2012 as decline in order books gathers pace

#### KEY FINDINGS

Headline PMI slumps to 80-month low of 44.1

New orders post steepest drop since April 2009

Employment falls for first time in three years, albeit slightly

Germany's manufacturing sector sank deeper into contraction at the end of the opening quarter, with latest PMI® survey data from IHS Markit and BME signalling faster decreases in output, new orders and export sales. There were signs of sluggish demand and an uncertain outlook affecting firms' employment decisions, as payroll numbers fell for the first time in three years.

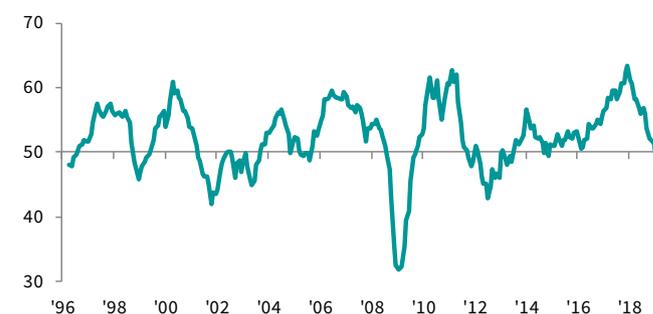
The report also highlighted easing supply-side pressures, with input lead times improving to the greatest degree since mid-2012 and purchase prices rising at the slowest rate in over two-and-a-half years.

The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – dropped sharply in March to 44.1 from 47.6 in February. This was the lowest reading since July 2012 in the midst of the eurozone sovereign debt crisis, and also below the preliminary 'flash' figure of 44.7.

The deterioration in performance was underpinned by a sharp and accelerated decrease in new orders, which was in turn partly driven a further slump in export sales. Both total order books and new business from abroad fell at the fastest rate since April 2009. Uncertainty surrounding Brexit and trade tensions, a weak automotive sector and generally softer global demand were all identified as factors leading to lower sales.

Accordingly, latest data showed a marked decrease in output, with the rate of decline accelerating since February – when production fell for the first time in almost six years – to the

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit

quickest in over six-and-a-half years. A contraction in output was recorded across each of the three broad industrial categories, with makers of intermediate goods recording the steepest fall, followed by capital goods producers.

Manufacturers' backlogs of work fell for the seventh straight month and at the fastest rate since mid-2009. This lack of pressure on capacity was reflected in a drop in employment across the sector – the first such fall in three years. The decline was only marginal, but it nevertheless contrasted with solid rates of job creation in prior months. There were several mentions of the non-renewal of temporary contracts.

Manufacturers' growing reluctance to extend contracts also reflected a further weakening of confidence towards the outlook for output. Sentiment on this front was the most pessimistic since November 2012.

Elsewhere, latest data showed a further easing of inflationary pressures. Output charges increased at the slowest rate since November 2016, while input costs barely rose, recording the smallest monthly increase in over two-and-a-half years. A fall in steel prices was one of the main factors weighing on overall cost increases.

The slowdown in input cost inflation partly reflected reduced purchasing activity among German manufacturers. Buying levels fell sharply, contributing to a reduction in stocks of inputs – the third in the past four months – and a marked improvement in supplier delivery times.

COMMENT

Phil Smith, Principal Economist at IHS Markit, which compiles the Germany Manufacturing PMI survey, commented:

*"The final print of March's manufacturing PMI numbers makes for uncomfortable reading, with the downturn in the sector even worse than initially suggested by the 'flash' data. Both total new orders and export sales are now falling at rates not seen since the global financial crisis, with more and more firms reporting lower demand linked to Brexit and trade uncertainty, troubles in the automotive industry and generally softer global demand.*

*"Manufacturing output fell markedly and at the fastest rate since 2012, with the consumer goods sector joining intermediate and capital goods producers in contraction.*

*"The sustained solid growth in employment prior to March had been the sector's one remaining bright spot, but the latest survey indicated a fall in jobs for the first time in three years amid reports from a number of firms that some temporary contracts weren't being renewed."*

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Methodology

The IHS Markit / BME Germany Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

March 2019 data were collected 12-22 March 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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 [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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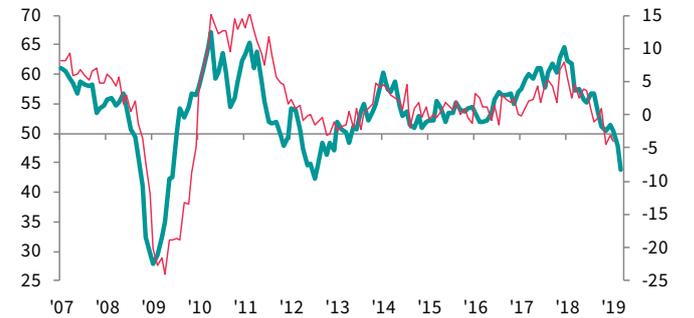
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Output Index

sa, >50 = growth since previous month

Manufacturing production

sa, cal. adj., %ytr/yr



Sources: IHS Markit, Bundesbank.

About IHS Markit

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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BME

BME is the German Association for Materials Management, Purchasing and Logistics, founded in 1954. It provides services for around 9000 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME promotes a dialogue between business and academia, both on the demand and the supply side, by providing the necessary networks for communication and knowledge exchange. The association is open to all company types from any sector (industry, trade, banking/insurance, public sector, service providers, etc.).

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