

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Flash Germany PMI®

Manufacturing slowdown continues into September, but service sector growth remains strong

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 55.3 (55.6 in Aug). 2-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 56.5 (55.0 in Aug). 8-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 53.7 (55.9 in Aug). 25-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 53.2 (56.6 in Aug). 29-month low.

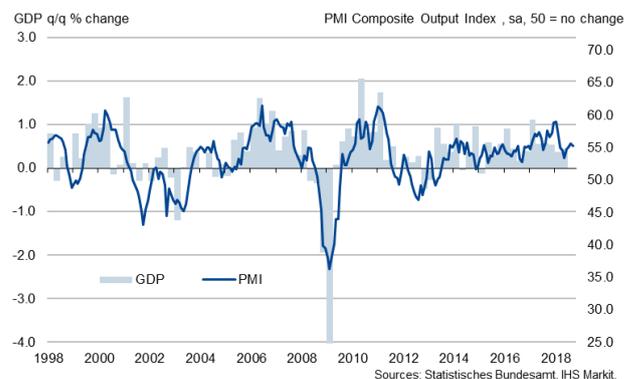
Data collected September 12-20

September PMI® survey data showed a contrast in performance between the two main areas of the German economy, with services gaining growth momentum and overtaking a slowing manufacturing sector. Overall, the pace of expansion in business activity remained robust and private sector employment levels also showed a further marked rise during the month.

The **IHS Markit Flash Germany Composite Output Index** dipped to 55.3 in September from a six-month high of 55.6 in August. The latest reading was still the second-best seen since February and confirmed a slight improvement in the average pace of growth during the third quarter compared with that observed in the three months to June.

However, while the overall pace of growth remained robust, there were contrasting trends at the sector level. Services business activity rose markedly during the month and at the second-quickest rate in over four years (behind January's recent peak). Conversely, manufacturing output growth eased to the weakest since April 2016, slipping below that of services activity for the first time in almost two years.

IHS Markit Germany Flash PMI



September saw the **IHS Markit Flash Germany Manufacturing PMI** slump to a 25-month low of 53.7, down sharply from August's 55.9. The index has now fallen in eight of the past nine months, having previously reached a survey-record high in December 2017.

Manufacturing **order books** were little-changed in September, rising only fractionally and the least in the current expansionary sequence that began in December 2014. However, owing to a steep and accelerated rise in services new business that was the fastest seen since June 2011, the overall picture for new orders remained one of solid growth.

Latest data meanwhile showed **backlogs of work** across Germany's private sector rising at the weakest rate for over one-and-a-half years. Whereas growth of outstanding business at services providers was at a ten-month high, manufacturers recorded their first decrease in order book backlogs since January 2015.

On the **employment** front, the rate of job creation eased slightly from August's near-record high but

remained among the quickest seen since comparable data first became available in January 1998. Employment growth in the service sector accelerated slightly and was the quickest in just under 11 years, while the latest increase in manufacturing staffing numbers was similarly robust but the least marked since May.

After reaching the quickest for seven months in August, the rate of inflation in average **prices charged** by German businesses softened slightly in September. The slowdown was driven by a weaker increase in service sector output prices, with manufacturing output charges rising at an identical rate to that seen in August.

Input cost inflation likewise pulled back from the seven-month high seen in August, easing to its weakest since May. Cost pressures nevertheless remained elevated by historical standards across both manufacturing and services. Goods producers often cited higher prices paid for energy and steel, while rising labour costs was the main driver in the services economy.

Business confidence in the German private sector remained firmly in positive territory in September, despite slipping to a four-month low. However, strong overall optimism masked contrasting trends at the sector level. Whereas services firms reported being their most confident since April, expectations towards future output among manufacturers deteriorated sharply during the month to the lowest in almost four years.

Comment

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

“The service sector was left to do most of the heavy lifting in September, as manufacturing put in its worst overall performance since August 2016. Service providers enjoyed the biggest boost to new business in over seven years in a further sign of strong domestic demand. Manufacturing new orders, however, were broadly flat as export sales declined for the first time in more than three years.

“Manufacturers’ confidence took a big hit in September, deteriorating to its lowest for almost four years. Goods producers foresee output barely rising over the next 12 months and have cited growing uncertainty towards the outlook.

“The September flash data meanwhile showed another solid gain in private sector employment, the one area where manufacturing and services both made strong positive contributions during the month. Falling backlogs of work in the manufacturing sector suggests that capacity may have finally caught up with demand, so there’s a good chance the pace of factory job creation will lose momentum in coming months.”

-Ends-

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Note to Editors:

Final September data are published on 1 October for manufacturing and 3 October for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by IHS Markit and is based on original survey data collected from a representative panel of 1000 companies based in the German manufacturing and service sectors. The flash estimate is based on around 85% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI 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 Manufacturing <i>PMI</i> ³	0.0	0.3
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 Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. 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?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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