

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

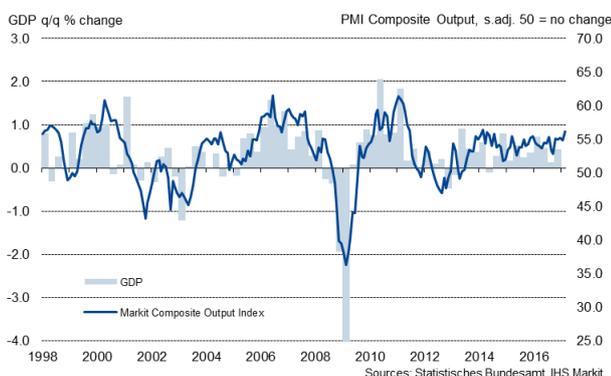
### Manufacturing drives German growth to near-three year high

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 56.1 (54.8 in January). 34-month high.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 54.4 (53.4 in January). 3-month high.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 57.0 (56.4 in January). 69-month high.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 59.4 (57.5 in January). 37-month high.

Data collected 10-20 February

#### Markit Germany PMI and GDP



German private sector output growth accelerated in February, as goods production expanded at the fastest rate in over three years and services activity rose solidly. The **Markit Flash Germany Composite Output Index** rose from January's four-month low of 54.8 to 56.1, the highest since April 2014 and signalling strong growth in the eurozone's largest economy. Output has risen continuously since May 2013.

The rate of growth in **manufacturing** output accelerated for the third successive month in February to the highest since January 2014. Meanwhile, the rate of expansion in **services** activity picked up from January's four-month low

and was broadly in line with the solid trend shown during the past three years.

Similar trends were evident for **incoming new business**. Manufacturing new order growth hit a 37-month high and outpaced the increase in service sector new business for the tenth month running. The rate of growth in services new work nevertheless accelerated to a 12-month record.

In manufacturing, stronger growth in both output and new orders as well as the greatest lengthening in suppliers' delivery times since June 2011 drove the headline **PMI** figure to its highest since May 2011. Meanwhile, **new export orders** rose at the fastest rate since January 2014.

Data on **outstanding business** revealed rising capacity constraints in the German private sector economy. The rate of accumulation in incomplete work reached the fastest since June 2016, with a further marked increase in the goods-producing sector. Backlogs in manufacturing have been rising since February 2015.

Reflecting stronger growth in output and new business, **employment** at German private sector companies increased further in February. Moreover, the rate of job creation strengthened to the highest since June 2011. Strong workforce growth was evident in both manufacturing and services.

February data signalled a further intensification of inflationary pressure. **Input price** inflation accelerated for the sixth consecutive month to the highest since May 2011. Cost pressures in manufacturing were especially marked, linked to higher prices for metals and oil-based products in particular and also the weak euro. Service providers mainly linked greater input costs to salaries and fuel.

**Output price** inflation accelerated to a 68-month record in February as firms passed on greater cost burdens to customers. Stronger increases in charges were reported in both the manufacturing and service sectors.

Forward-looking data on **output expectations** strengthened in February. The overall outlook for private sector activity hit a new record high since the combined manufacturing and service series was first calculated in July 2012. This reflected the strongest expectations in the services sector in six years, while manufacturing sentiment remained strong despite moderating slightly since January.

### Comment

Commenting on the flash PMI data, **Trevor Balchin**, Senior Economist at IHS Markit said:

*“The flash PMI results for February signalled the strongest growth of the German economy for just under three years, with manufacturing in particular expanding at a marked pace and services recovering the momentum lost at the start of the year. Moreover, the new Future Output Index is signalling strong confidence among firms, reaching a new high since its inception in mid-2012.”*

*“The latest PMI data are encouraging following the slightly weaker-than-expected preliminary estimate of GDP growth in Q4 2016, which came in at 0.4% quarter-on-quarter versus market expectations of 0.5%. That said, this figure was influenced by strong imports and could understate underlying momentum. The latest PMI adds to our expectations that economic growth will strengthen in the first quarter to around 0.6% q-o-q, marking a strong start to 2017. IHS Markit currently expects German GDP to rise 1.9% in calendar-adjusted terms this year, which would be the strongest growth since 2011.”*

*“The February PMI data also signalled the sharpest increases in both input and output prices since mid-2011. This suggests that the official annual rates of producer and consumer price inflation will continue to trend upwards from 2.4% and 1.9% respectively in January.”*

-Ends-

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**Note to Editors:**

Final February data are published on March 1 for manufacturing and March 3 for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by 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 <sup>1</sup>	-0.1	0.4
Germany Manufacturing <i>PMI</i> <sup>3</sup>	0.0	0.3
Germany Services Business Activity Index <sup>2</sup>	-0.1	0.6

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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).

**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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Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) surveys are now available for over 30 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 [markiteconomics.com](http://markiteconomics.com).

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