

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CET) / 0830 (UTC) January 24 2017

Markit Flash Germany PMI®

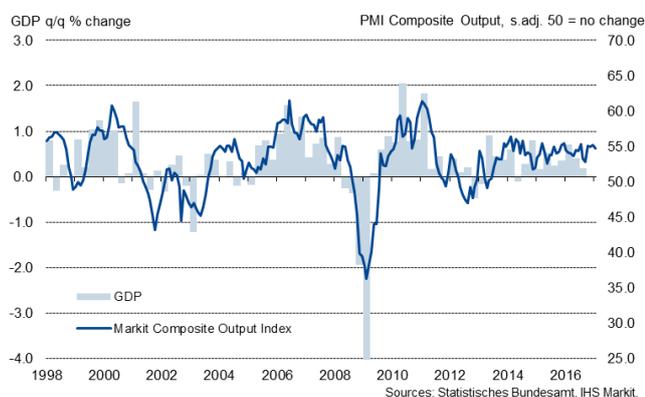
Private sector growth slows slightly but manufacturing remains buoyant

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 54.7 (55.2 in December). 4-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 53.2 (54.3 in December). 4-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 56.5 (55.6 in December). 36-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 57.6 (57.0 in December), 33-month high.

Data collected from 12-23 January

Markit Germany PMI and GDP



German private sector growth eased slightly in the first month of 2017, with a growth slowdown at **service providers** offsetting a firmer improvement in **manufacturing** performance. At 54.7, the **Markit Flash Germany Composite Output Index** still pointed to robust growth in January that was faster than the 2016 average (54.3). However, the latest reading was down from 55.2 in December and the lowest in four months.

Mirroring the overall trend, growth of **services activity** slipped to a four-month low. In contrast, **manufacturers** saw December's acceleration sustained through to January. **Production**

increased to the greatest extent in close to three years.

Underpinning higher private sector output was another solid increase in **new business** during January. The rate of growth was unchanged from that seen in the prior two months. As was the case with activity, manufacturers outperformed service providers with regard to new order growth. **New export work** in the goods producing sector rose at the steepest rate since September 2016.

Despite robust growth of new work, volumes of **outstanding business** at German private sector firms rose only fractionally. Capacity pressures remained substantial in the manufacturing sector, but services companies were able to work through their backlogs for the first time in three months.

Employment was a bright spot in January. The rate of job creation was the second-quickest since September 2011, just behind October's 61-month peak. A number of panellists mentioned hiring in line with growth expectations for 2017.

On the price front, cost pressures in Germany's private sector continued to mount. **Input prices** rose at the sharpest pace in over five-and-a-half years, led by a particularly steep rise in manufacturers' costs. Anecdotal evidence showed that goods producers had been most affected by higher commodity prices (notably oil and metals). There were also reports of a weaker euro relative to the US dollar leading to greater import costs.

January data indicated that higher costs were only partially passed on to clients. The rate of **charge inflation** eased slightly, with firms commenting on competitive pressures and price negotiations.

The overall **Manufacturing PMI** rose to its highest since the start of 2014 for the second straight month. The upturn contributed to the greatest

lengthening of **supplier lead times** since mid-2011, though panel members also mentioned shortages of materials such as steel. **Stocks of purchases** were meanwhile broadly stable.

Finally, **private sector optimism** improved to a three-year high in January. Sentiment picked up in both the manufacturing and service sectors.

Comment

Commenting on the flash PMI data, **Philip Leake**, economist at IHS Markit said:

“The first flash PMI of 2017 highlighted diverging performance in Germany’s private sector economy. Whereas manufacturers signalled an accelerating upturn fuelled by stronger domestic and international demand, growth slowed in the dominant service sector. Consequently, business activity across Germany as a whole rose at the slowest pace in four months.

“That said, the services slowdown will raise few alarm bells at this stage. Growth remained solid overall, and firms were sufficiently encouraged to raise employment substantially.

“Continuing the recent trend, economic growth was accompanied by rising prices in January. The rate of cost inflation reached the highest since mid-2011, driven by a combination of greater commodity prices and a weaker euro. However, clients are yet to bear the full impact of higher costs. Charges rose more slowly amid stronger competition and price negotiations.

“Looking ahead, German companies are increasingly optimistic. Both manufacturers and service providers anticipate healthy growth in 2017. IHS Markit expects economic growth to hold steady at 1.9% this year, matching the first official estimate of growth for 2016.”

-Ends-

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

Philip Leake, Economist
Telephone +44-1491-461-014
Email: philip.leake@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207 260 2234
Email joanna.vickers@ihsmarkit.com

Note to Editors:

Final January data are published on February 1 for manufacturing and February 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 ¹	-0.1	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.

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.

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?"

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

About PMI

Purchasing Managers' Index[®] (*PMI*[®]) 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.

The intellectual property rights to the Flash Germany *PMI*[®] 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 trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.