

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) May 23 2018

IHS Markit Flash Germany PMI[®]

Slowdown in German economy continues in May

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 53.1 (54.6 in April). 20-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 52.1 (53.0 in April). 20-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 56.8 (58.1 in April). 15-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 55.0 (57.4 in April). 18-month low.

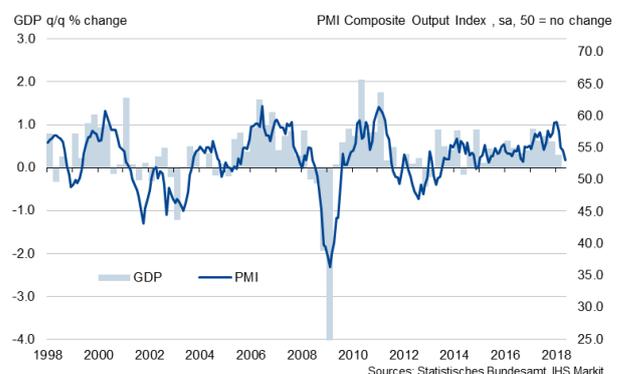
Data collected May 11-22

Latest business survey data showed a further slowdown in the rate of growth of Germany's private sector economy in May. Business activity rose at the weakest pace for over one-and-a-half years, with the month also seeing slower increases in both new orders and employment. Business confidence towards the outlook meanwhile slipped to its lowest since November 2016.

The **IHS Markit Flash Germany Composite Output Index** fell to a 20-month low of 53.1 in May, from April's 54.6. The Index has now decreased in each of the past four months from a near seven-year high at the start of the year. The latest slowdown reflected weaker rates of growth in both service sector business activity and manufacturing output, with each rising the least since late-2016.

The **IHS Markit Flash Germany Manufacturing PMI** registered 56.8 in May, down from 58.1 in April and its lowest reading since February 2017. As well as a slower rise in production, the drop in the headline manufacturing Index reflected weaker growth in factory new orders and a further easing of supplier delivery delays from recent record levels.

IHS Markit Germany Flash PMI



Total **new business** in Germany's private sector rose at the slowest rate for almost three years in May. The service sector saw inflows of new work increase only modestly, with the pace of growth easing for the fourth time in as many months to the weakest since June 2015. New order growth in the manufacturing sector was solid by comparison, albeit with the rate of increase also easing further from the highs in 2017 as **new export sales growth** continued to soften.

More positively, May saw a further solid increase in the level of **employment** across Germany's private sector. Although the rate of job creation eased to a 17-month low due to slower hiring among the country's service providers, it was still robust by the historical standards of the survey. Businesses that took on additional staff often commented on efforts to expand capacity, with latest data indicating ongoing growth of **backlogs of work**, particularly across the manufacturing sector.

However, **firms' confidence** towards the year-ahead outlook for activity was at its lowest for 18 months in May. Surveyed businesses in general believed output would rise over the next 12 months, but the overall degree of optimism was well below

that than seen at the turn of the year amid reports of overheating in the economy and growing global political uncertainty. Business confidence eased across both the manufacturing and service sectors, with goods producers at their least optimistic since October 2015.

Elsewhere, latest survey data indicated a pick-up in **cost pressures** facing German businesses. The rate of input cost inflation was just below January's recent peak and the second-highest seen for over seven years. Anecdotal evidence highlighted the impact of rising oil prices.

Businesses passed on part of the burden of higher costs in the form of increased **selling prices** in May. However, a slower rate of inflation in factory gate charges – the weakest seen since last October – meant that the overall pace of increase in prices charged for goods and services eased since March. The latest rise in service sector output charges was meanwhile the steepest since February.

Comment

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

“The flash PMI data indicate that the recent slowdown in Germany’s private sector continued into May. Business activity showed the weakest rise for over a year-and-a-half, and it was a case of slower growth across both the manufacturing and services segments of the economy.

“There was some anecdotal evidence suggesting that the timing of public holidays during the month had led to workers taking days off to bridge the holidays and weekends. However, weaker order book growth and a further waning of business confidence point to the economy carrying a lot less underlying momentum than at the end of 2017.

“Latest data meanwhile indicated an ill-timed resurgence in cost pressures faced by businesses, linked largely to rising oil prices. The recent cooling of demand has meant increased pressure on margins, with selling price inflation moving in the opposite direction to that of input costs.”

-Ends-

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

Phil Smith, Principal Economist, Economics
Telephone +44-1491-461-009
Email: phil.smith@ihsmarkit.com

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

Note to Editors:

Final May data are published on June 1 for manufacturing and June 5 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?"

About IHS Markit (www.ihsmarkit.com)

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2018 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 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 <https://ihsmarkit.com/products/pmi.html>.

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. and/or its affiliates.