

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

Private sector growth remains strong despite easing in February

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 57.4 (59.0 in January). 3-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 55.3 (57.3 in January). 3-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 60.3 (61.1 in January). 6-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 61.2 (62.2 in January). 4-month low.

Data collected February 12-20

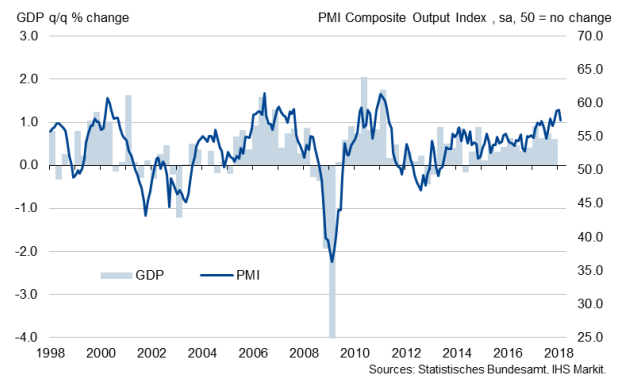
Germany's private sector continued to see strong growth in February, despite the pace of expansion slowing down from the near seven-year high seen during the opening month of the year, according to the latest *PMI*® survey from IHS Markit.

The **IHS Markit Flash Germany Composite Output Index**, which is based on around 85% of usual monthly responses, dipped to a three-month low of 57.4 in February, from January's 81-month high of 59.0. Nevertheless, the latest reading was still among the highest seen since early-2011 and reflected robust, albeit slower, growth across both the manufacturing and service sectors.

The **IHS Markit Flash Germany Manufacturing PMI** was at 60.3 in February, down from 61.1 in January and its lowest reading since last August. **Factory output** growth stayed strong but eased to a four-month low, the pace of expansion moderating further from December's recent peak.

Service sector business activity likewise showed a slower rate of growth than that seen during the month before, when it had reached the highest since March 2011. The average pace of expansion so far in the opening quarter of the year nevertheless remained up on that seen in the final

IHS Markit Germany Flash PMI



three months of 2017.

Higher **new orders** were recorded for the thirty-eighth month running in February, a new record for the series which stretches back more than two decades. However, despite remaining robust overall, rates of growth slowed across both manufacturing and services to the weakest for seven and six months respectively. Notably, the latest rise in **manufacturing new export orders** was the least marked for 12 months, albeit still substantial overall.

Reflective of the softer increase in new orders, **backlogs of work** rose more slowly in February. The latest increase was confined to the goods-producing sector as the level of outstanding business at service providers fell slightly and for the first time in six months.

February meanwhile saw a further increase in private sector **employment**, with positive contributions coming from each of the two monitored sectors. Rates of job creation moderated in both cases, however, resulting in the smallest gain in overall employment since September last year.

One factor leading firms to create new jobs was strong **business confidence**. The degree of optimism shown by the survey towards future business activity was in fact at a record high (since July 2012), driven by a marked improvement in future expectations in the service sector. Manufacturers, in contrast, were the least optimistic for three months.

On the price front, latest survey data showed another marked increase in **average prices charged for goods and services**, with the rate of inflation the second-fastest since July 2008. Factory selling prices rose particularly sharply over the month, with the rate of increase the quickest seen since April 2011.

Businesses that raised output charges were often responding to higher **input costs**, which continued to rise sharply amid reports of higher prices paid for raw materials such as steel and salary pressures. In the manufacturing sector, bottlenecks in supply chains were cited as one of the main causes of rising input costs, with February seeing the second-greatest increase in average delivery times since the series began in April 1996.

Comment

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

“While February’s flash PMI figure was down on January’s recent high, it still continued to point to a robust pace of private sector expansion in the eurozone’s largest economy. The performance so far in the first quarter remains better than that seen in final three months of 2017, which saw GDP rise 0.6%. IHS Markit is currently forecasting an improved outturn of 0.9% in quarter one.

“The slower overall pace of growth in February was driven by both the manufacturing and service sectors. This was the case for not only the headline output numbers but also employment and inflows of new orders.

“Encouragingly, the survey found that business confidence towards performance in the next 12 months spiked higher, improving to the strongest seen since comparable records began in mid-2012. But whereas services firms reported greater optimism, confidence among manufacturers waned amid a slowdown in new export order growth to a 12-month low and ongoing supply-chain disruptions.”

-Ends-

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Note to Editors:

Final February data are published on March 1 for manufacturing and March 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 PMI 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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