

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Germany Services PMI[®] – final data (with Composite PMI[®] data)

Services activity growth eases slightly in October

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 54.7 (55.6 in September). 2-month low.
- Final Germany PMI Composite Output Index⁽¹⁾ at 56.6 (57.7 in September). 2-month low.

Data collected October 12-26

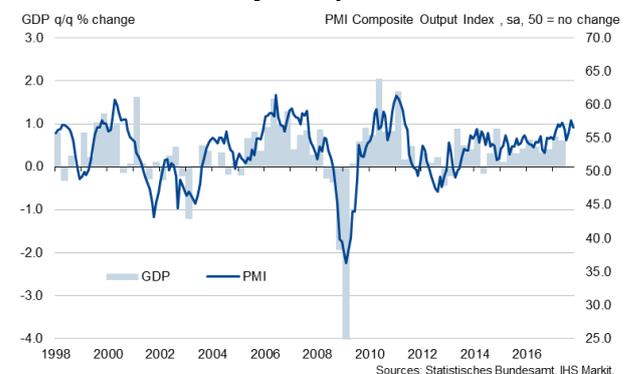
Germany's service sector started the fourth quarter on a strong footing, despite growth in business activity easing slightly since September, according to the latest PMI[®] survey data from IHS Markit. Inflows of new work rose at the fastest pace for 20 months in October, signalling a backdrop of robust demand, and job creation also picked up to show the strongest increase in tertiary sector employment since May.

The seasonally adjusted final **IHS Markit Germany Services PMI Business Activity Index** was at 54.7 in October, down from September's six-month high of 55.6 (and below the flash estimate of 55.2) but still indicative of a robust rate of expansion. The latest figure was slightly above the average recorded in the third quarter, and indeed for the year so far (54.5).

Manufacturing output displayed a similar trend to that of services activity, rising at a slower rate than in September, but still sharply overall. The seasonally adjusted final **IHS Markit Germany Composite Output Index** dipped to 56.6, down from September's 77-month high of 57.7.

The strongest growth in services business activity during the month was seen in the Financial Intermediation sector, while Renting & Business Activities, Transport & Storage and Other Services also exhibited marked expansions. The two underperforming sectors remained Hotels & Restaurants and Post & Telecommunications, with the former seeing a particularly steep drop in activity.

IHS Markit Germany Composite PMI



Growth of new business at German service providers gathered pace for the third month running in October, reaching the highest since February 2016. Reflecting this, the amount of outstanding business in the sector increased for the fourth time in the past five months, albeit only slightly.

Services firms maintained a strong appetite for new hires at the start of the fourth quarter as they looked to expand staffing capacity in line with a higher level of activity. Furthermore, the rate of job creation accelerated for the second successive month to the highest since May.

Elsewhere, October's survey showed an increase in average prices charged by services firms. The rate of inflation was strong in the context of the series' long-run trend and slightly faster than that recorded in the preceding survey period. Anecdotal evidence found that higher charges reflected a combination of robust demand and increased costs.

Average input costs faced by German services firms rose sharply again in October, underpinned by increasing salaries and higher fuel prices, according to panel member reports. Cost pressures picked up slightly since September, and were strongest overall in the Hotels & Restaurants sub-sector.

October meanwhile saw a weakening of services firms' confidence towards the year-ahead outlook for business activity. However, having fallen from one of the highest levels seen in over six years in September, the degree of optimism remained strong overall.

Comment

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

“Service sector growth slowed a little more than the flash estimate suggested at the start of the fourth quarter; however there were still a lot of positives to be taken from the latest survey, including faster rises in both new orders and employment.

“Inflows of new orders have picked up pace since the summer, rising at the fastest rate for 20 months in October and providing the platform for the sector’s growth. And driven by strong confidence towards the outlook, services have reacted to the increase in demand by further upping the rate of job creation.

“The manufacturing sector may be the star-performer right now, but services also continues to move along nicely and looks set for a solid fourth quarter performance.”

-Ends-

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Note to Editors:

The Germany Services PMI® (*Purchasing Managers' Index*®) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the German service sector. The final Germany Services PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The October flash was based on 71% of the replies used in the final data.

The Germany Composite PMI is based on original survey data collected from a representative panel of over 800 companies based in the German manufacturing and service sectors. The final Germany Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The October flash was based on 83% of the replies used in the final 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 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 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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