

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

German economy makes strong start to fourth quarter

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 56.9 (57.7 in September). 2-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 55.2 (55.6 in September). 2-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 60.5 (60.6 in September). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 60.0 (61.7 in September). 2-month low.

Data collected October 12-23

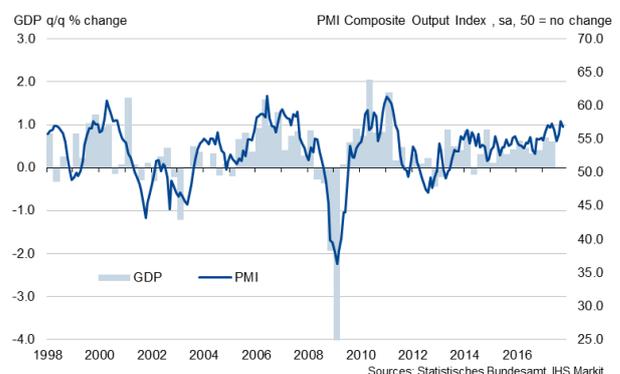
Germany's private sector economy maintained strong growth momentum at the start of the fourth quarter, with inflows of new orders increasing at the fastest rate for six-and-a-half years in October, according to flash *PMI*[®] survey data from IHS Markit. Overall business activity rose sharply, albeit at a slightly slower rate than in September, while the pace of job creation accelerated to a five-month high.

The survey meanwhile showed a further pick-up in inflation pressures, as average prices charged for goods and services rose at one of the fastest rates seen since mid-2011.

The **IHS Markit Flash Germany Composite Output Index** was at 56.9 in October, down slightly from September's 77-month high of 57.7, but nonetheless registering one of the highest readings seen since 2011.

Output growth was once again led by the **manufacturing** sector, where the pace of expansion eased slightly since September but remained strong overall and well above the long-run average (since early-1996). **Services** echoed this trend, recording a robust increase in business activity that was only slightly slower than seen at the end of the third quarter.

IHS Markit Germany Flash PMI



New order growth accelerated for the third month running in October to the fastest seen since April 2011. This reflected a strong upturn in services new business, though it was the good-producing sector that continued to see the faster overall rate of growth. **Goods export orders** rose sharply again, with the rate of expansion just below August's recent peak.

In order to support a higher level of workplace activity, Germany's private sector businesses continued to take on new staff during October. The pace of **job creation** was the best seen since May and among the highest over the past six-and-a-half years. Manufacturing recorded a particularly strong rate of employment growth, the fourth-fastest in the survey's 21-year history.

Despite having sought to expand staffing capacity during the month, private sector firms in Germany continued to report a build-up of **outstanding business**. And although slightly slower than in September, the rate of accumulation remained strong by historical standards. Growth was centred on the manufacturing sector, with services backlogs up only slightly.

October meanwhile saw a further intensification of inflationary pressure, as average **prices charged for goods and services** showed one of the steepest increases since mid-2011 (second only to that seen in March). Mounting cost burdens was the principal factor leading firms to hike charges, with **input price inflation** accelerating for the fourth month running to the highest overall since April.

Manufacturers recorded the much steeper rise in average costs, and they also faced a further marked deterioration in **supplier delivery times** during the month. The extent of the deterioration in vendor performance was the greatest seen since April 2011.

Business confidence towards the year-ahead outlook for output remained strongly positive in October. The degree of optimism was slightly lower than September's record high, but still well above the series' average since July 2012.

Comment

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

"Although the headline flash Composite Output PMI dipped slightly in October, the fundamentals remained strong and the economy has carried robust growth momentum into the closing stages of the year.

"Inflows of new orders – which help gauge the health of underlying demand – showed the steepest rise in six-and-a-half years at the start of the fourth quarter, with strong growth seen across both manufacturing and services.

"Private sector job creation continued to gather pace, boosted by the greatest increase in factory workforce numbers since April 2011. Manufacturers reported ongoing efforts to relieve some of the strain on capacity, which saw backlogs rise sharply again and for a survey record thirty-third month running.

"Inflationary pressures continued to revive during the month, with the survey's indicators of input costs and output prices closing in on the highs seen at the start of the year."

-Ends-

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Note to Editors:

Final October data are published on November 2 for manufacturing and November 6 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	-0.1	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.

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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