

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 10:10 (CEST) / 08:10 (UTC), July 6th 2017

IHS Markit Germany Retail PMI[®]

Further solid growth in retail sales

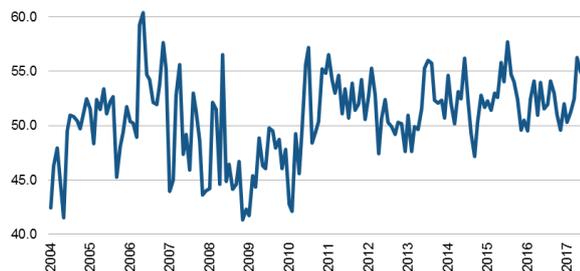
Key findings:

- Month-on-month growth in sales at three-month low, but strong overall
- Weakest rise in purchase prices since September 2016
- Sales rise sharply compared with June 2016

Data collected from June 12-28

IHS Markit Germany Retail PMI

sa, 50 = no change on previous month
65.0



Source: IHS Markit.

German retail sales rose for the seventh consecutive month in June, according to the latest PMI[®] survey data. The month-on-month increase, adjusted for seasonal factors, was the slowest in three months but solid nonetheless. Moreover, sales rebounded strongly on an annual basis, having previously declined in May. Survey data also signalled the fastest employment growth in the retail sector in nearly a year. Retailers continued to pay higher prices for goods, but the rate of inflation slowed to a nine-month low.

At 54.5 in June, down from 55.0 in May, the seasonally adjusted headline Germany Retail PMI signalled a seventh successive month-on-month expansion in sales at the end of the second quarter. The rate of expansion eased to a three-month low but remained solid overall.

German retail sales rose strongly on an annual basis in June, having declined slightly in May. Retailers generally commented on an improving economy.

Although sales rose sharply on a month-on-month basis in June, retailers missed their previously-set targets. The extent to which planned sales were not met was only modest, and not as wide as that registered in May. Retailers were slightly pessimistic regarding July targets, the first time negative sentiment had been expressed in two-and-a-half years.

German retail employment continued to rise in June, extending the current sequence of job creation to over seven years. Moreover, the rate of job creation strengthened to the sharpest since July 2016.

The value of goods purchased by German retailers increased for the third successive month in June. The rate of expansion eased further to a moderate pace, but remained faster than the long-run survey average. Stocks of goods for resale held by retailers also rose for the third month running, and at a solid rate.

Purchase prices paid by retailers in Germany continued to rise in June, continuing the trend shown since the start of 2010. The rate of inflation weakened to a nine-month low, however, and was broadly in line with the long-run survey average.

Gross margins in the German retail sector declined for the twelfth successive month in June. The rate of reduction accelerated to the fastest in three months, but remained slower than the long-run survey average.

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Comment:

Trevor Balchin, Senior Economist at IHS Markit, which compiles the Germany Retail PMI[®] survey, said:

“June PMI data signalled a further solid increase in German retail sales, following on from the latest strong manufacturing and services figures. Although the seasonally adjusted month-on-month rate of growth eased to a three-month low, it was the third-strongest registered since mid-2015.

“The latest retail PMI data suggest that German consumers will support overall economic growth. IHS Markit is expecting full-year GDP growth to strengthen to 2% in 2017.”

-Ends-

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Note to Editors:

“PMI” is an acronym for *Purchasing Managers’ Index*, a type of survey developed originally for tracking business conditions in the manufacturing sector. IHS Markit now uses “PMI” to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the *PMI* surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the Germany Retail PMI, IHS Markit has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the German retail sector. Similarly, the composition of the panel by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

IHS Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure “diffusion index” for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with *PMIs* for other sectors, such as manufacturing, services and construction.

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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 www.markit.com/product/pmi.

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