

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

Services business activity expands at slowest rate for seven months

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 53.9 (55.3 in February). 7-month low.
- Final Germany PMI Composite Output Index⁽¹⁾ at 55.1 (57.6 in February). 8-month low.

Data collected March 12-26

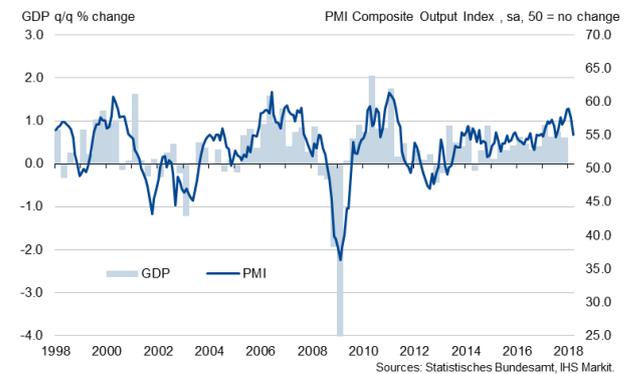
Growth in Germany's service sector faltered at the end of the first quarter, as business activity rose at the slowest rate for seven months. Although solid overall, latest expansions in new business and employment were likewise the least marked since August last year. However, despite the loss of momentum, firms remained in confident mood about the outlook over the next 12 months, with the degree of optimism staying close to the highest seen in the past seven years.

The seasonally adjusted final **IHS Markit Germany Services PMI Business Activity Index** fell for the second straight month in March to 53.9, down from 55.3 in February and its lowest reading since last August. Nevertheless, thanks to a strong showing in the opening month of the year, when the headline PMI peaked at a near seven-year high, average growth in the first quarter was the greatest since Q3 2014.

By sub-sector, the strongest rates of growth were in Post & Telecommunications and Renting & Business Activities, with more modest upturns seen in Financial Intermediation and Transport & Storage. There were, however, slight decreases in activity in the consumer-focussed areas of Hotels & Restaurants and Other Services – which includes leisure activities as well as private health care and education.

The slower increase services business activity in March coincided with a softening of manufacturing production growth to a 15-month low. As such, the final **IHS Markit Germany Composite Output Index** fell from 57.6 in February to 55.1, its lowest reading since July last year.

IHS Markit Germany Composite PMI



Stronger underlying demand remained the driving factor behind the service sector's sustained, albeit slowing expansion, with inflows of new work rising for the thirty-ninth month in a row in March. However, similar to the trend in business activity, the rate of new order growth slowed for a second straight month and was the lowest since last August.

Employment in the sector likewise rose more slowly in March. The survey's anecdotal evidence found this to be partly due to a lack of suitably qualified staff. The level of outstanding business meanwhile rose slightly and for the sixth time in the past seven months, after having fallen during February. A number of firms mentioned not having the resources to fulfil orders, which was in some cases linked to a high level of staff absence cause by flu.

Despite the slowdown in March, confidence in regard to the year-ahead business outlook remained resilient. The degree of optimism signalled in the latest survey was only slightly below February's seven-year high.

Elsewhere, March survey data showed another marked increase in average prices charged by service providers. The rate of inflation eased further from January's recent peak, but it nevertheless remained elevated by the historical standards of the survey.

Firms raised output prices amid sustained growth in input costs, which were reportedly driven up by salary pressures and higher charges from tradespeople.

Comment

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

“The pace of growth in Germany’s private sector cooled at the end of the first quarter, with the services PMI retreating further from January’s recent peak to signal a loss of momentum in line with that seen in manufacturing.

“Given the especially strong start to the year, the slowdown comes as no great surprise and the performance over the first quarter overall was still one of the best seen over the past seven years.

“The rate of job creation again failed to match that seen at the start of the year, though the survey evidence suggested this was as much to do with a tightening labour market and at a lack of suitably skilled candidates to fill vacancies, as a change in company needs. Rising backlogs across the private sector suggests that businesses are still not adequately staffed to handle the current high level of demand.

“Although the foot came off the accelerator in the last couple of months, it still promises to be a strong 2018 for the German economy – with IHS Markit forecasting GDP growth to pick up to 2.8% – and surveyed firms have reported that they remain highly confident about the outlook.”

-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 March flash was based on 77% 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 March flash was based on 84% 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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