

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit/BME Germany Manufacturing PMI® – final data

Growth of manufacturing sector hits three-year high in January

Key findings:

- PMI rises amid steepest expansions of output and new work since early 2014
- Rate of hiring picks up to 65-month high
- Purchasing costs increase sharply, adding to pressure on suppliers

Data collected from January 12-24

Markit/BME Germany Manufacturing PMI



German manufacturers enjoyed a positive start to 2017, with output, new orders and employment all rising at improved rates. As a result, overall operating conditions strengthened substantially. This was signalled by the seasonally adjusted Markit/BME Germany Manufacturing *Purchasing Managers' Index*® (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – climbing to a three-year high of 56.4 in January. The acceleration in growth continued a trend observed at the end of 2016 – the index had reached a 35-month peak in December (55.6).

Data broken down by sub-sector highlighted capital goods producers as the best-performing in January. Nonetheless, growth remained solid in both consumer and intermediate goods.

There were multiple reports from panellists of improving client demand in January. This was reinforced by data, which showed total new orders rising to the greatest extent since January 2014. Growth of new work was evident both domestically and abroad, with the survey's measure of new export business hitting a four-month high. Monitored firms cited China, Russia and the European Union as sources of new work.

Stronger order books led manufacturers to increase their production again in January. In fact, output growth quickened to a 33-month peak. Out of the surveyed sub-sectors, investment goods saw the sharpest rise.

The overall improvement in the health of the sector was further underpinned by strong job creation. The pace of hiring was the most marked since August 2011. A larger workforce failed to alleviate pressure on capacity, however. Backlogs rose for the twenty-fourth month in succession.

Purchasing activity also increased sharply, albeit at a slightly slower pace than in December. Meanwhile, data showed divergent trends with regard to stock holdings. Whereas pre-production inventories rose slightly, stocks of finished goods were depleted.

Input costs faced by German goods producers continued to rise substantially in January. The rate of inflation accelerated to a 68-month high, with panellists commenting on a rise in prices for a number of raw materials. Those included steel, oil and energy.

Subsequently, prices charged increased at a sharper pace. With firms linking higher charges to greater raw material costs, sector data indicated that producers of intermediate goods had raised their selling prices to the greatest extent.

Mounting cost pressures had an impact on supplier performance in January. Anecdotal evidence highlighted material shortages at vendors' units. Lead times lengthened to the greatest extent since mid-2011.

German manufacturers remained optimistic in spite of higher costs. In fact, sentiment was at a three-year high, in line with expectations of further improvements in demand.

Comment

Commenting on the final Markit/BME Germany Manufacturing PMI® survey data, **Philip Leake**, Economist at IHS Markit said:

“Germany’s manufacturing sector started 2017 in much the same way that it finished 2016, with growth accelerating. In fact, operating conditions improved to the greatest extent in three years, underpinned by marked expansions of both output and new work. The sector’s impressive performance bodes well for GDP growth in the first quarter, building on the strongest expansion in five years across 2016 as a whole (based on an initial estimate of 1.9% from the Federal Statistics Office).

“What’s more, the signs are pointing to further manufacturing growth in coming months. Firms are planning for continued improvements in demand, having raised both their purchasing activity and employment substantially in January. In particular, the rate of job creation picked up to a 65-month high. The newly-released Future Output Index signalled the strongest degree of optimism for three years.

“Cost pressures may pose a threat to the outlook, however. The rate of input price inflation accelerated to the quickest in more than five-and-a-half years. There were reports of higher prices for a number of commodities. Some companies raised their tariffs to protect margins but, with the pace of cost inflation still far exceeding that for charges, there seems scope for further price hikes in the early part of the year.”

-Ends-

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Note to Editors:

The Germany Manufacturing PMI® (Purchasing Managers' Index®) is produced by Markit and is based on original survey data collected from a representative panel of over 500 companies based in the German manufacturing sector.

The final Germany Manufacturing 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 January flash was based on 91% 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 Manufacturing PMI ³	0.0	0.3

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.

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 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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