

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Germany PMI<sup>®</sup>

### German economy grows at fastest rate for over six-and-a-half years

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 58.7 (57.3 in November). 80-month high.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 55.8 (54.3 in November). 24-month high.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 63.3 (62.5 in November). Record high.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 64.1 (62.9 in November). 82-month high.

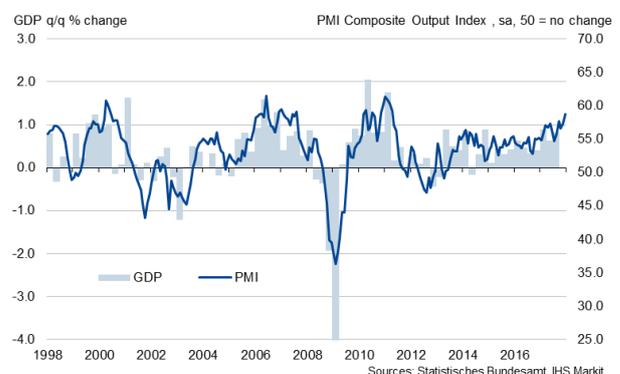
Data collected December 5-13

German firms finished 2017 on a high note by recording the sharpest growth in business activity in more than six-and-a-half years, according to December's flash *PMI*<sup>®</sup> survey from IHS Markit. Moreover, the overall performance in the manufacturing sector was the best seen since survey data were first collected in early-1996.

The **IHS Markit Flash Germany Composite Output Index** climbed to an 80-month high of 58.7 in December, after registering 57.3 in the penultimate month of the year. Growth accelerated across both manufacturing and services, with the latter seeing the steepest rise in business activity for two years. It was the goods-producing sector that continued to lead the way, however, recording the strongest expansion in output in almost seven years.

The upturn in factory performance was highlighted by the **IHS Markit Flash Germany Manufacturing PMI** rising to a survey-record high of 63.3 in December, up from 62.5 in November. Unprecedented **supplier delivery delays** and a near-record boost in firms' **stocks of purchases** also played a part in lifting the headline manufacturing PMI into uncharted territory.

#### IHS Markit Germany Flash PMI



The level of **new orders** received by German businesses showed the greatest rise since April 2011, to underline a further strengthening of demand for goods and services in the eurozone's biggest economy. Notably, the latest increase in manufacturing order books was the second-strongest seen in over two decades of data collection. This was partly thanks to another steep rise in the level of **goods export orders**, with firms reporting higher intakes from Asia, the US and elsewhere in Europe.

Adding to the positive picture, the rate of **job creation** across Germany's private sector economy gathered pace for the fourth month running in December, to show a steep rise in employment that was only just shy of March's six-year high. Growth in workforce numbers continued to be led by manufacturers. The hiring of extra staff reflected attempts by businesses to expand operations and capacity, with latest data showing a further marked (albeit slightly slower) increase in **backlogs of work**.

Firms' willingness to take on new staff was further enhanced by a rebound in **future business expectations**, which in November had eased to an

11-month low. The degree of optimism shown in the latest survey was in fact the highest since comparable data were first available in mid-2012. Sentiment strengthened considerably across both monitored sectors, with services firms showing their greatest level of confidence towards the year-ahead outlook since February 2011.

On the inflation front, December's survey signalled another strong rise in **average prices charged for goods and services**, despite the rate of increase slowing down slightly from November's 79-month high. Businesses raised selling prices to offset the burden of higher **input costs**, the rate of inflation of which likewise eased slightly from the previous month's peak but remained among the fastest seen over the past six-and-a-half years. Manufacturers highlighted raw materials as the main source of higher costs, while their services counterparts commented on salary pressures and rising fuel prices.

## Comment

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

*"December's flash PMI survey results are the icing on the cake for what has been a strong year for the German economy. Growth has been robust throughout 2017, and the pace of expansion has kicked even higher in last two months to take it to a level not seen since early-2011."*

*"The results mean that IHS Markit's forecast for annual GDP growth of 2.6% is looking good, with a slight chance of an even higher out-turn."*

*"The manufacturing sector remained the brightest spot, with the headline PMI moving into territory previously unseen in over two decades of data collection. Output, new orders and employment all exhibited growth that was among the fastest in the survey history, though the record reading was as much attributable to an unprecedented incidence of supplier delivery delays. These in turn led to a boost in firms' holdings of safety stocks of purchases – the fifth and final component of the headline PMI."*

*"Firms' confidence rebounded strongly since November, when the survey had showed some anxiety among businesses in the immediate aftermath of the breakdown of coalition talks. This injection of optimism helped support further employment growth, with job creation running at close to the highest seen in the past six-and-a-half years."*

-Ends-

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**Note to Editors:**

Final December data are published on January 2 for manufacturing and January 4 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 <sup>1</sup>	-0.1	0.4
Germany Manufacturing PMI <sup>3</sup>	0.0	0.3
Germany Services Business Activity Index <sup>2</sup>	-0.1	0.6

The *Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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<sup>®</sup> 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](mailto: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?"

**About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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**About PMI**

Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) surveys are now available for over 40 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 <http://www.markit.com/product/pmi>.

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