

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Germany Retail PMI®

Retail sales rise at slowest rate for five months in March

Key findings:

- Retail sales growth slows according to both monthly and annual measures
- Gross margins face further squeeze due to rising costs and promotions
- Purchasing activity and job creation pick up amid positive future expectations

Data collected from March 12-27

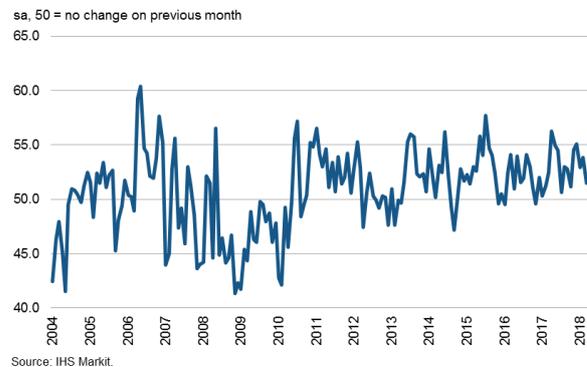
Retail sales in Germany grew at the slowest rate for five months in March as a bout of unusually cold weather weighed on consumer spending. Retailers' purchases of goods for resale and employment nevertheless continued to increase, and at faster rates, with companies expecting pent-up demand to drive a stronger sales performance in April.

March saw the seasonally adjusted headline Germany Retail PMI – which tracks monthly changes in like-for-like sales – fall to 51.5 in March, down from 53.8 in February and its lowest reading since October last year. Survey evidence suggested that, while underlying consumer demand remained resilient, unseasonably bad weather during the month had acted as a drag on sales.

Year-on-year sales growth also slowed, to the lowest for five months, as a positive Easter effect – sales are boosted around Easter which falls around two weeks earlier in 2018 than 2017 – was negated by worse weather and stronger competitive pressures than seen the year before.

Sales were below retailers' targets for the third month in a row in March. Furthermore, the degree of underperformance worsened since February to the greatest since July 2017.

IHS Markit Germany Retail PMI



Retailers nevertheless remained optimistic about the outlook for sales in the month ahead, with many expecting a backlog of demand from the delay of the start of normal spring weather to lead to an upturn in sales.

In line with strong hopes towards the outlook for sales, retailers continued to expand their staffing numbers during March. Moreover, the rate of job creation even picked up speed to the highest for nine months.

As well as increasing levels of employment, retailers also raised their spending on goods for resale during the month. The extent of the increase in purchasing activity was the greatest in 2018 so far. The faster rise in buying levels meanwhile contributed to a solid and accelerated increase in stocks levels, which have now risen in every month throughout the past year.

A challenging month's trading in March was reflected in a further deterioration in gross margins. Retailers reported using promotions to help support sales, while at the same time facing an increase in costs. The rate of decline in gross

margins was the slowest for three months, but it was nevertheless solid overall.

Latest data showed the continuation of a strong rate of inflation in purchase prices faced by retailers. Although it remained below the elevated levels seen in late-2017, the rate of increase was higher than in February and above the historical series trend. Foodstuffs – and dairy products in particular – were often mentioned by survey respondents as drivers of the cost increase, alongside manufactured goods in general.

Comment:

Phil Smith, Principal Economist, at IHS Markit, which compiles the Germany Retail PMI survey, said:

“Like-for-like retail sales growth moderated in March to the weakest seen since October last year, with firms in the sector once again underperforming relative to their targets. However, evidence from the survey data and an improving labour market point to a positive outlook.

“The unusually bad weather during the month meant that the normal early-spring sales rush was somewhat restricted. But it’s evident in the stronger increases in employment and buying levels that retailers expect to see sales pick up in April as pent-up demand caused by the snow disruption unwinds.

“In a broader context, the drop in the retail PMI tallies with the picture from the other three surveys – for manufacturing, services and construction – showing a slowdown in the pace of private sector growth at the end of the first quarter.”

-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 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 <https://ihsmarkit.com/products/pmi.html>.

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