

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

Germany's private sector grows solidly at start of second quarter

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 55.3 (55.1 in March). 2-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 54.1 (53.9 in March). 2-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 58.1 (58.2 in March). 9-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 57.4 (57.1 in March). 2-month high.

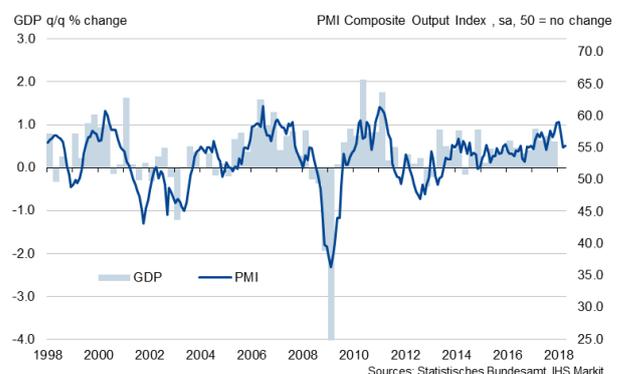
Data collected April 12-20

Germany's private sector economy grew solidly at the start of the second quarter. The pace of expansion stabilised after having slipped to eight-month low in March, according to the latest *PMI*® survey data from IHS Markit. The rate of job creation picked up to its highest for three months; however, there was less optimism among businesses towards the outlook for activity in the year ahead amid a further slowdown in new order growth.

April saw the **IHS Markit Flash Germany Composite Output Index** tick up to 55.3 from 55.1 in March. The latest reading pointed to a solid overall rate of business activity growth that was above the survey's long-run average (since January 1998), with rates of expansion in both manufacturing output and services activity picking up slightly since March.

The **IHS Markit Flash Germany Manufacturing PMI** meanwhile registered a reading of 58.1 in April. Although little-changed from March's 58.2 and pointing to another strong monthly improvement in overall manufacturing sector performance, this was the lowest reading since July 2017.

IHS Markit Germany Flash PMI



The level of **new orders** received by German private sector firms rose at the slowest rate for more than a year-and-a-half in April. New business in the service sector showed the smallest gain since August last year, while growth of manufacturing order books eased for the fourth month running to the slowest since November 2016. Moreover, goods producers reported a further slowdown in **new export order** growth to a 16-month low.

Firms' **optimism** towards the year-ahead outlook for activity meanwhile weakened further from the record highs seen in the second half of 2017. A notable deterioration in future expectations among services firms saw the survey's measure of overall business confidence to dip to its lowest since last November. The degree of optimism among manufacturers meanwhile improved slightly from an 18-month low in March.

There was positive news on the **employment** front in April as the rate of private sector job creation rebounded from March's seven-month low to its highest since January. This reflected a faster rise in service sector workforce numbers – the second-quickest in the past year. Manufacturing

employment growth, however, eased to the slowest for eight months.

April survey data meanwhile indicated another solid monthly increase in average **prices charged** for goods and services. The rate of inflation was unchanged from that recorded in March and remained among the quickest seen over the past seven years.

Driving average selling prices higher in April was a further steep rise in firms' **input costs**. Businesses continued to comment on staff pay pressures and higher prices paid for raw materials, with the latter often linked to supply shortages and bottlenecks. That said, having eased for the third month in a row, the rate of input cost inflation was at its lowest since last September.

Capacity constraints in supply chains were meanwhile reflected in a further marked increase in **average delivery times** for inputs. The extent of the deterioration in vendor performance was less marked than March's survey-record, but still one of the greatest in the 22-year series history.

Comment

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

"Growth of Germany's private sector steadied in April, to arrest the loss of momentum seen in February and March. With both manufacturing and services seeing slightly quicker increases in output, the data show the economy making a solid start to the second quarter."

"There was also a welcome pick-up in the rate of private sector job creation in April. Employment levels rose strongly on a broad-based basis by sector, albeit with the rate of hiring among manufacturers easing from the recent elevated levels."

"However, a further slowdown in new order growth to its weakest for over a year-and-a-half does raise some concerns. This seemed to be reflected in the survey's measure of business confidence, which slipped further from the highs seen in 2017."

-Ends-

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Note to Editors:

Final April data are published on May 2 for manufacturing and May 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 ¹	0.0	0.4
Germany Manufacturing PMI ³	0.0	0.3
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 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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