

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

Retailers report bumper month of sales in May

Key findings:

- Like-for-like sales growth surges to highest for over a year
- Gross margins show greatest monthly improvement in survey history
- Pace of job creation quickens to 11-month high

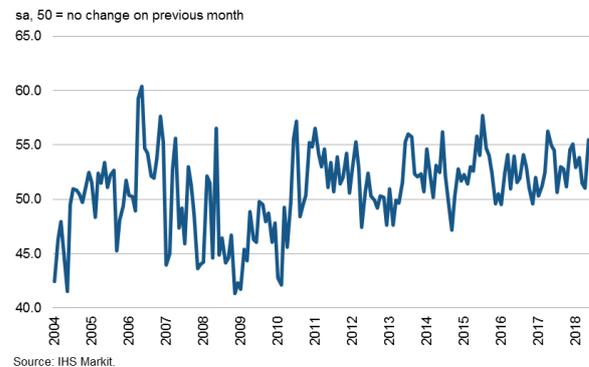
Data collected from May 11-30

Like-for-like retail sales in Germany increased sharply in May, recording the fastest monthly rise for over a year, according to latest *PMI*[®] data. The survey revealed a boost to consumer spending from warmer-than-usual weather during the month. The strong sales performance had a positive impact on retailers' gross margins, which showed the steepest rise in the history of the survey, and also contributed to a faster increase in employment in the sector.

The seasonally adjusted headline Germany Retail PMI – which tracks monthly changes in like-for-like sales – jumped to a 13-month high of 55.5 in May. The index rebounded from 51.0 in April, which was the lowest reading since July 2017. The steep rise in sales was partly attributed by retailers to unusually warm temperatures, which helped support greater levels of footfall and also boosted spending on food and drink, as well as outdoor equipment.

Year-on-year, sales exhibited one of the steepest rises since the survey began over 16 years ago. This reflected not only the strong monthly growth performance, but also a base effect caused by particularly bad weather in the corresponding period the year before. The timing of public

IHS Markit Germany Retail PMI



holidays was also reported to have been more favourable this year compared to last.

Retailers' meanwhile retained an optimistic outlook towards sales prospects in the month ahead, with the degree of confidence increasing slightly from that recorded in the previous survey.

Another outcome of the surge in sales in May was an increase in retailers' gross margins, the first recorded for almost two years. The extent to which gross margins improved was in fact the most marked in the series history.

May saw an increase in employment in the retail sector for the eighth time in as many months. In line with a pick-up in sales growth and a positive outlook for the month ahead, the rate of job creation gathered pace and was the second-quickest seen since July 2016.

Retailers' spending on goods for resale rose sharply in May, recording its strongest monthly gain in almost four years. In some cases, firms raised their buying levels in order to replenish stocks, which returned to growth after having remained broadly unchanged in April.

Latest data showed a rise in average prices paid for purchases by German retailers. According to anecdotal evidence, the main drivers of the increase were dairy products, meats and other fresh produce. Although the rate of inflation eased slightly since April, it remained strong overall.

Comment:

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

“Unusually warm weather in May provided a much-needed boost to the retail sector, with PMI data showing like-for-like sales rising sharply both on the month and compared with the same period the year before.

“Higher turnover helped bring an end to the recent sustained pressure on retailers’ gross margins, which in May showed the greatest gain ever recorded by the survey. There was also an improved appetite for new hires, partly reflecting retailers’ positive mood towards the outlook.

“Retailers are expecting the football World Cup to support sales over the coming months; however, the recent uptick in consumer price inflation is going to have the opposite effect.”

-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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