

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

German output growth strongest in nearly six years in March

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 57.0 (56.1 in February). 70-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 55.6 (54.4 in February). 15-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 58.3 (56.8 in February). 71-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 59.6 (59.3 in February). 38-month high.

Data collected March 13-23

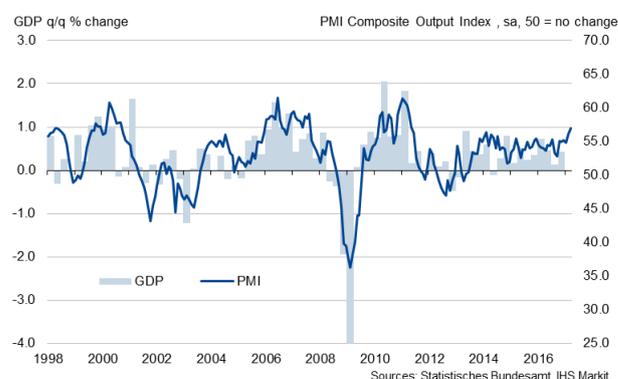
Germany posted the fastest rate of private sector output growth in nearly six years at the end of the first quarter of 2017. The March PMI survey data also signalled a near-record rate of employment growth and the strongest cost pressures for nearly six years.

The **Markit Flash Germany Composite Output Index** rose for the second month running from 56.1 in February to 57.0, the highest since May 2011 and signalling marked economic growth in the eurozone's largest economy. The current sequence of continuous expansion now stretches to 47 months.

Data broken down by sector signalled faster growth in output at both **service providers** and **manufacturers**. Goods production continued to outpace tertiary sector activity, rising at the strongest rate since January 2014. Nonetheless, services activity growth hit a 15-month high.

Stronger expansion of **new work** fuelled the acceleration in overall output growth in March. New business increased at the fastest rate since April 2011, reflecting sharper increases in both manufacturing and services. Notably, **manufacturing new export orders** increased at the strongest pace since April 2011, with firms

Markit Germany Flash PMI



reporting demand from the US, China, the UK, Asia and the Middle East.

The overall strength of business conditions in manufacturing in particular was highlighted by the headline **Markit Flash Germany Manufacturing PMI** rising to a 71-month high of 58.3. The PMI is calculated from indicators for output, new orders, employment, suppliers' delivery times and stocks of purchases.

The continued acceleration in the rate of expansion of private sector new business placed greater pressure on operating capacity. **Backlogs of work** rose for the tenth month running, the longest sequence of growth for nearly six years. Moreover, the rate of expansion in outstanding business was the fastest since May 2011. Manufacturing backlogs continued to rise at a faster rate than incomplete business in the service sector.

Pressure from demand prompted firms to step up **recruitment** in March. The rate of private sector job creation was the fastest since March 2011, and was the second-strongest since the series began in January 1998. Notably, in the service sector employment growth matched the previous series-record high set in June 2006. Meanwhile,

manufacturing jobs rose at the strongest rate since July 2011.

Strengthening demand conditions in the German private sector were accompanied by rising inflationary pressures in March. **Average input prices** increased at the fastest rate since April 2011, with the rate of inflation accelerating for the seventh consecutive month. Goods producers continued to face greater price hikes than their service sector counterparts. Steel, oil-based products and the strong US dollar were highlighted by manufacturers as key sources of cost pressures, while service providers mentioned salaries and fuel. Firms partially passed on higher costs to customers by raising their **output prices** at the strongest rate since June 2011. This was driven by service sector charges increasing at the fastest pace since July 2008.

Forward-looking data on output expectations strengthened further in March, with the **Future Output Index** hitting a new high since its inception in July 2012. In the service sector – where a longer history of business expectations data exists – sentiment was the strongest in over six years.

Comment

Commenting on the flash PMI data, **Trevor Balchin**, Senior Economist at IHS Markit said:

“The March flash PMI results rounded off a strong first quarter for the Germany economy, which enters the spring growing at the fastest rate in nearly six years. The Composite Output Index posted at 56.0 in Q1, the highest quarterly average since Q2 2011 and well above the historic trend level of 53.2. The PMI data strongly suggest that economic growth will accelerate in the first quarter.

“Firms responded to capacity pressures in March, with the rate of job creation in the private sector almost matching the survey record set six years ago.”

“Inflationary pressures continued to build, with input and output prices both rising at the fastest rates in around six years. IHS Markit is currently forecasting headline inflation to reach 2.1% over 2017 as a whole, and the latest official monthly data showed that consumer price inflation hit 2.2% in February – a four-and-a-half year high.”

-Ends-

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Note to Editors:

Final March data are published on April 3 for manufacturing and April 5 for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by 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	-0.1	0.4
Germany Manufacturing <i>PMI</i> 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.

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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