

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Germany Services PMI® – final data (with Composite PMI® data)

Service sector activity growth hits highest in nearly seven years

Key findings:

- Final Germany Services PMI Activity Index⁽²⁾ at 57.3 (55.8 in December). 82-month high.
- Final Germany PMI Composite Output Index⁽¹⁾ at 59.0 (58.9 in December). 81-month high.

Data collected January 12-26

Germany's service sector shifted into a higher gear at the start of 2018, as business activity growth accelerated to the fastest in nearly seven years and job creation also gathered pace, the latest *PMI*® survey data from IHS Markit signalled.

The survey also showed a pick-up in inflationary pressures in January, with firms reacting to a sharp rise in costs by hiking prices charged to the greatest extent in nine-and-a-half years.

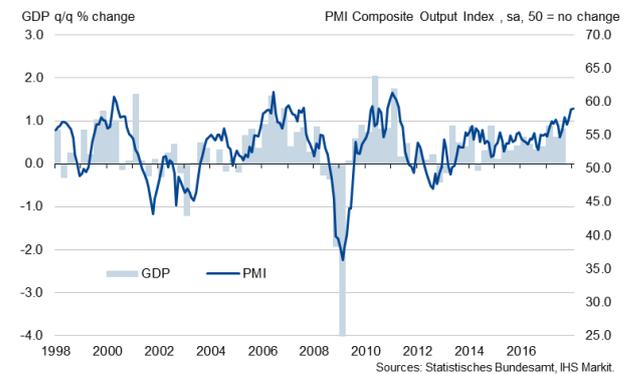
The seasonally adjusted final **IHS Markit Germany Services PMI Business Activity Index** rose to 57.3 in January, up from 55.8 in December (and also above the earlier 'flash' estimate of 57.0). It was the highest reading since March 2011.

A sharp and accelerated increase in output within Renting & Business Activities was a key factor underpinning the tertiary sector's upturn, while Hotels & Restaurants and Post & Telecommunications also showed stronger underlying rates of expansion.

The final **IHS Markit Germany Composite Output Index** ticked up to an 81-month of 59.0 in January, from 58.9 in December. Stronger services activity growth offset a slower but still sharp increase in manufacturing output.

The level of new business received by services firms rose at the fastest rate for three months in January. This continued a sequence of uninterrupted growth stretching back more than three years. The main boost to demand came from the domestic market, according to the survey, linked in a number of cases to an improving economy.

IHS Markit Germany Composite PMI



The pick-up in activity meanwhile led to more jobs being created across the services sector, with January seeing the steepest rise in employment for nine months. Notwithstanding the extra staffing capacity, backlogs of work at service providers increased for a fifth straight month in January, albeit only modestly overall.

Another key focal point of the latest survey results was an intensification of inflationary pressures. Average prices charged by services firms were shown to have risen to the greatest extent in nine-and-a-half years, as a backdrop of supportive demand conditions coincided with a steep and accelerated rise in businesses' input costs.

The rate of input price inflation faced by services firms was the highest since April 2011 and well above that seen on average over the survey's 20-year history. Where an increase in total cost burdens was recorded in January, companies linked this to a combination of salary pressures, higher oil and fuel prices and rising rental fees.

Despite heightened cost pressures, firms operating in the service sector maintained a strongly positive outlook towards activity in the year ahead. The degree of optimism was unchanged from that recorded in the preceding month and among the highest seen over the past six-and-a-half years. Factors expected to support higher activity included

the introduction of new services, digitalisation and stronger underlying demand.

Comment

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

“During 2017 it was the manufacturing sector that provided the main impetus to Germany’s improved growth performance, with services activity for the most part expanding at a steady, but unspectacular pace. What’s now needed to take growth to the next level is a more buoyant private sector services economy, which is around double the size of its manufacturing counterpart, and that’s exactly what we saw in January as growth in the former surged to its highest since early-2011.”

“With the final services numbers showing a slightly better outturn in January than that signalled by the earlier flash results, the overall rate of private sector output growth edged up since December to the strongest since April 2011.”

“The survey results highlight the best round of job creation in the private sector economy for nearly seven years, which adds further pressure to an already-squeezed labour market. Panellists reported higher salaries contributing to sharply rising operating costs, the outcome of which was a pick-up in inflationary pressures. Prices charged for goods and services showed the steepest monthly increase since records began in late-2002.”

-Ends-

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Note to Editors:

The Germany Services PMI® (*Purchasing Managers' Index*®) is produced by IHS Markit and is based on original survey data collected from a representative panel of over 400 companies based in the German service sector. The final Germany Services PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The January flash was based on 70% of the replies used in the final data.

The Germany Composite PMI is based on original survey data collected from a representative panel of over 800 companies based in the German manufacturing and service sectors. The final Germany Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The January flash was based on 83% of the replies used in the final 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 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 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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