

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

German private sector output growth strengthens in August

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 55.7 (54.7 in July). 2-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 53.4 (53.1 in July). 2-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 59.4 (58.1 in July). 2-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 60.0 (57.7 in July). 2-month high.

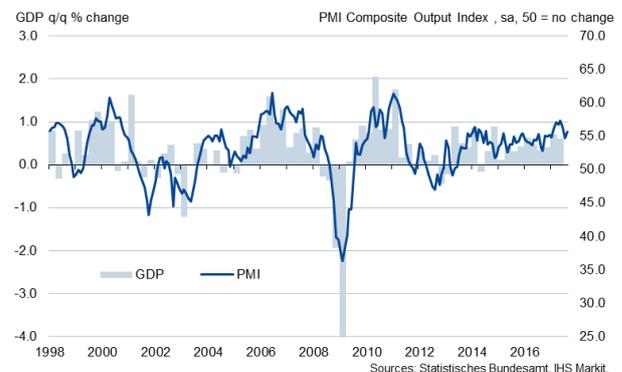
Data collected August 11-22

German private sector output growth strengthened slightly in August, according to flash *PMI*[®] survey data from IHS Markit. The overall rate of expansion picked up from July's ten-month low, a trend reflected in both manufacturing output and services business activity. Similarly, new business inflows increased at a faster rate in August, having slowed the previous month. Growth of output was broadly in line with the strong trend shown over the past 12 months. Meanwhile, employment continued to rise sharply in August and input cost inflation hit a four-month high.

The **IHS Markit Flash Germany Composite Output Index** registered 55.7 in August, up from 54.7 in July and indicating a sharp overall rate of expansion. The index was broadly in line with its trend level over the past 12 months (55.6). Output has risen continuously since May 2013, the second-longest sequence of growth since the series started in January 1998.

Manufacturing output continued to expand at a faster rate than service sector activity in August. The pace of growth accelerated from July's six-month low, and was the third-fastest in over three-and-a-half years. **Services business activity** also rose more sharply than in July, but growth was the

IHS Markit Germany Flash PMI



second-slowest in seven months.

New business received by German private sector firms increased for the thirty-second consecutive month in August. After having weakened to a six-month low in July, the rate of expansion accelerated and was broadly in line with the trend shown over 2017 so far. The overall pace of growth masked another muted rise in new business in the service sector, however, as manufacturing new orders increased at the third-fastest rate in over six years. Notably, **new export orders** at goods producers increased at the sharpest rate since May 2010, with strong demand from Asia in particular.

Faster growth of manufacturing output and total new orders was reflected in a rise in the **IHS Markit Flash Germany Manufacturing PMI** to 59.4 in August, from 58.1 in July. This was the third-highest level in over six years.

Private sector **employment** in Germany continued to rise at a historically marked rate mid-way through the third quarter. The pace of job creation eased slightly since July, mainly reflecting a softer rise in service sector jobs, but was strong overall.

Backlogs of work increased for the fifteenth

consecutive month in August, the longest sequence of expansion in over six years. The rate of accumulation in outstanding business slowed to a three-month low, but remained strong. At the sector level, a marked increase in manufacturing backlogs more than offset a decline in incomplete workloads at service providers. Pressure on capacity in the goods-producing sector was further underlined by the greatest lengthening of **suppliers' delivery times** since April 2011.

Cost pressures facing German private sector firms intensified in August. The rate of **input price** inflation accelerated to a four-month high, but remained below the levels seen between January and April. Input price inflation strengthened in both the manufacturing and service sectors, with the former again posting the steeper rate of inflation. Service providers nonetheless reported the fastest increase in their input prices in 76 months, linked to both salaries and supplier charges.

Output prices also increased at a faster pace in August. The rate of charge inflation hit a five-month high, with stronger increases seen in both manufacturing and services.

The **Future Output Index** remained well above 50.0 in August, indicating that German firms remained strongly confident regarding expected output volumes in 12 months' time. Firms mentioned new products and new customers as reasons for optimism. That said, sentiment eased for the third straight month from May's series-record high, to the lowest in 2017 so far.

Comment

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

"The flash PMI rose to 55.7 in August, from July's final reading of 54.7, indicating that underlying economic growth remains strong following a slight correction at the start of the third quarter. Moreover, output growth strengthened in both the manufacturing and service sectors. Notably, manufacturing new export orders increased at the fastest rate since May 2010.

"The latest PMI data follow the official preliminary estimate of GDP expansion in the second quarter of 0.6% qr/qr and an upward revision for the first quarter to 0.7% qr/qr. Moreover, full-year growth in 2016 was also revised up to 1.9% in calendar-adjusted terms.

"Overall, the PMI data for the third quarter so far and the upward revisions to official data suggest that IHS Markit's current growth forecast for 2017 – at 2.0% – is likely to be raised.

-Ends-

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Note to Editors:

Final August data are published on September 1 for manufacturing and September 5 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	-0.1	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.

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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About PMI

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