

## News Release

### Purchasing Managers' Index® MARKET SENSITIVE INFORMATION

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## Markit/BME Germany Manufacturing PMI® – final data

### German manufacturing growth hits near three-year high in December

#### Key findings:

- Sharp expansions of output and new work help lift PMI to 35-month peak
- Input stocks rise for first time since October 2014
- Weaker euro contributes to steepest cost pressures in five-and-a-half years

Data collected from December 6-15

#### Markit/BME Germany Manufacturing PMI



Germany's manufacturing sector was buoyant at the end of 2016. The seasonally adjusted Markit/BME Germany Manufacturing *Purchasing Managers' Index*® (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – rose from 54.3 in November to a 35-month high of 55.6. With solid growth also signalled in October, December's reading meant that the fourth quarter average (55.0) was the highest in nearly three years.

Underpinning the overall improvement in operating conditions were marked expansions of output and new work. New business increased for the twenty-fifth consecutive month, with the rate of growth only just below the record over that period. Stronger

client demand persuaded German manufacturers to raise their output at a quicker pace. The latest rise in production was the sharpest since July.

All three market groups finished the year in growth territory. Both output and new work rose in each sector, with the sharpest expansions seen in intermediate goods, closely followed by capital goods. Growth at consumer goods producers was comparatively modest.

The rise in total new orders across the manufacturing economy was bolstered by greater exports in December. Though easing since November, the rate of growth was solid overall. There were reports of new contract wins in Asia, Europe and the US.

A sharp accumulation of backlogs was a by-product of improving demand in December. The latest rise was the most marked since the start of 2014.

German goods producers engaged in hiring as part of efforts to relieve such pressure on operating capacity and prepare for further sales in 2017. The rate of job creation was above the 2016 average, despite easing for the second straight month.

Purchasing activity meanwhile rose substantially in December. The pace of expansion was the fastest in over five-and-a-half years. Pre-production inventories returned to growth as a result, following more than two years of either stagnant or falling input stocks.

Rising demand for inputs also led to pressure on supply chains. Average lead times lengthened to the greatest extent since mid-2011.

On the price front, inflationary pressures continued to mount in December. Input costs rose at the fastest pace since June 2011, with the rate of inflation climbing from November's already marked

pace. The weaker euro reportedly drove up import costs, while there were also mentions of higher commodity prices (notably oil and steel).

German manufacturers' increasing costs showed up in the rate of output price inflation, which hit a 65-month high.

### Comment

Commenting on the final Markit/BME Germany Manufacturing PMI® survey data, **Philip Leake**, Economist at IHS Markit said:

*“German manufacturers finished 2016 on a high note, with business conditions improving to the greatest extent since January 2014. Strong growth in December meant that goods producers enjoyed their best quarter in nearly three years during Q4. The manufacturing sector is therefore likely to help overall GDP growth accelerate from the modest 0.2% pace seen in the third quarter.*

*“Both output and new work rose sharply in December. As well as seeing a robust improvement in domestic demand, firms reported new business wins in Asia, Europe and the US.*

*“There were also encouraging signs for further growth in 2017. Companies look set to hire in an effort to raise operating capacity, following the sharpest increase in backlogs of work since early-2014. Moreover, input stocks rose for the first time in over two years as manufacturers prepared to increase production again in the New Year.*

*“Price pressures meanwhile picked up in December. A combination of higher commodity prices and a weaker euro drove up input costs, with the rate of inflation hitting a five-and-a-half year high. Some of those costs were passed on to clients in the form of greater charges.”*

-Ends-

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**Note to Editors:**

The Germany Manufacturing PMI® (Purchasing Managers' Index®) is produced by Markit and is based on original survey data collected from a representative panel of over 500 companies based in the German manufacturing sector.

The final Germany Manufacturing 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 December flash was based on 93% 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 Manufacturing PMI <sup>3</sup>	0.0	0.3

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](mailto: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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