

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit/BME Germany Manufacturing PMI[®] – final data

Manufacturing output growth slows to 15-month low

Key findings:

- Weakest rises in output and new orders since late-2016
- Supplier delivery delays reported on unprecedented scale
- Price pressures remain elevated despite easing slightly since February

Data collected March 12-22

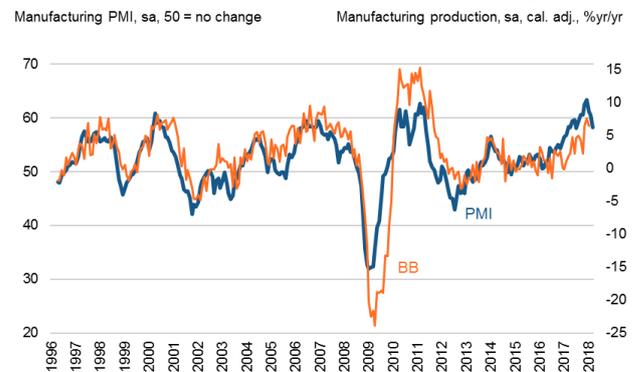
Germany's manufacturing sector continued to lose momentum in March, with output growth slowing for the third consecutive month, according to the latest PMI[®] survey data from IHS Markit and BME. Goods producers meanwhile faced another record increase in average delivery times for inputs – the third in the past four months – in a sign of ongoing capacity constraints in supply chains.

The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – registered a reading of 58.2 in March, down from 60.6 in February. Although still signalling a strong overall improvement in business conditions within the goods-producing sector, the latest figure was the lowest since July 2017 and well below that seen at peak of the upturn last December.

Output growth in fact eased to the weakest seen since December 2016, with production increasing at a slower rate across each of the main industrial groupings: consumer, intermediate and investment.

There were some reports of output being affected by an unusually high level of sickness absence. More importantly, however, the survey highlighted a softer trend in new orders amid reports of capacity constraints and strong competition. Although remaining solid in the context of historical data, new order growth was at a 16-month low in March. Part of the reason for this was a slower increase in new export orders, which showed the weakest rise since

IHS Markit / BME Germany Manufacturing PMI



January 2017.

Manufacturers scaled up their purchasing activity during March as they looked to keep pace with new orders. However, this added further pressure to already-stretched supply chains, with latest data showing a new record increase in average input delivery times to follow those seen in December and February. Delays were linked not only to capacity constraints among suppliers but also a shortage of items, including electronics and steel, and a lack of available transporters.

Strong demand for inputs continued to manifest itself in higher purchase prices. The rate of input cost inflation eased to a five-month low, but it remained elevated. The main drivers of the increase were metals, and in particular steel, alongside electronics, plastics and wood products.

Sustained strong cost pressures led manufacturers to raise their output prices again in March. The rate of factory gate price inflation remained among the highest seen in the survey's 22-year history despite pulling back slightly from that seen in February.

On a more positive note, March saw a further marked increase in the level of factory employment.

The rate of job creation was weakest in seven months but still one of the highest seen since 2011.

The survey did, however, show a weakening of optimism towards the year-ahead outlook for output to its lowest for 18 months, with firms reporting concerns about the sustainability of the current high level of demand and cost pressures.

Comment

Commenting on the final IHS Markit/BME Germany Manufacturing PMI[®] survey data, **Phil Smith**, Principal Economist at IHS Markit said:

“Although the manufacturing PMI remains at an elevated level by historical standards, a third consecutive drop in the index signals slowing momentum in Germany’s factories.

“Growth of output and new orders has softened throughout 2018 so far, dragging the headline PMI lower, and in March the rates of expansion were less than half those seen at the end of 2017.

“There are reports of some loss of competitiveness on the pricing front. Persistent high cost pressures have led manufacturers to repeatedly raise charges, while a stronger euro has made matters even worse for those exporting outside the currency bloc. Upward pressure on input prices largely stems from constraints in supply chains, with input delivery delays reported on an unprecedented scale in March.

“The issues facing manufacturers are, in a way, the symptoms of the sector’s own success. German factories have seen uninterrupted growth for almost three-and-half years, and the added injection of pace since the late-2016, combined with a global upturn, has left supply chains struggling to keep up.

“Manufacturers in the eurozone’s largest member state still expect to continue growing in 2018, but the recent pace of expansion was evidently unsustainable and we are likely to see a steadier upturn in the remainder of the year.”

-Ends-

Suppliers’ Delivery Times Index

Suppliers’ Delivery Times Index, sa, 50 = no change



Source: IHS Markit.

New Export Orders Index

New Export Orders Index, sa, 50 = no change



Source: IHS Markit.

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Note to Editors:

The Germany Manufacturing 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 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 85% of total PMI survey responses each month. The March 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 ³	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.

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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