

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

German retailers see strong sales growth in December

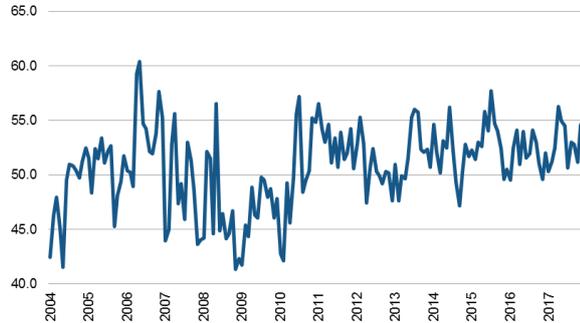
Key findings:

- At 55.1, PMI signals strongest monthly sales growth since April
- Retail employment increases at fastest rate for six months
- Gross margins stabilise as purchase price inflation eases

Data collected from December 5-19

IHS Markit Germany Retail PMI

sa, 50 = no change on previous month



Source: IHS Markit.

German retailers had a strong finish to 2017 as sales growth hit an eight-month high in December, according to the latest PMI[®] survey data from IHS Markit. The positive performance was also reflected in a pick-up in the rate of job creation in the sector, while gross margins stabilised after having contracted in each of the previous 17 months.

The seasonally adjusted headline Germany Retail PMI moved to 55.1 in December, up from 54.6 in November and its highest reading since April. The latest figure implied a strong month-on-month rise in sales, which the survey's anecdotal evidence partly linked to greater spending power among consumers.

Sales were also up on the same month one year ago, although the rate of growth was slower than that seen in November.

Thanks to the pick-up in sales in December, retailers were able to meet their targets (on average) during the month. This ended a run of seven straight months of underperformance, with April being the only time in 2017 when retailers surpassed their plans.

Retailers' expectations towards future sales performance meanwhile remained positive, despite the level of confidence having weakened from November's eight-month high.

Factors expected by survey respondents to support sales in the coming months included spring weather, improving consumer sentiment and increasing disposable income.

Retailers maintained a preference for higher staffing numbers in December, with employment in the sector rising for the third month running and to the greatest extent since June. However, despite the pick-up in job creation at the end of the fourth quarter, the average rate of employment growth across the year as a whole was the lowest seen since 2010.

December saw a ninth straight monthly increase in retailers' spending on goods for resale. Although slightly slower than that recorded in the preceding survey period, the rate of growth in purchasing activity remained solid and was well above the historical average (since 2004).

Similarly, stock levels rose at a solid pace during the month, albeit one that was weaker than that recorded in November.

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Adding to the positive picture, retail gross margins stabilised in December, to end a sequence of decline stretching back to mid-2016 (which included the sharpest decrease in gross margins in over four years in January 2017). Anecdotal evidence found that growth in turnover from rising sales acted to offset a further steep increase in purchasing costs.

Average prices paid for goods for resale rose amid reports of strong pricing power among suppliers, although the rate of inflation eased further from October's 67-month high.

Comment:

Phil Smith, Principal Economist, at IHS Markit, which compiles the Germany Retail PMI survey, said:

"The data flow out of Germany remains strongly positive, with the Retail PMI hitting an eight-month high in December to show a healthy upward trend in consumer spending. The retail survey results come hot on the heels of those for manufacturing, services and construction which each showed growth accelerating at the end of last year, setting the scene for a strong start to 2018.

"Retailers can be relatively pleased with their performance at the end of 2017, with sales growth gaining momentum and targets being met for the first time in eight months in December. Gross margins meanwhile stabilised after a protracted period of decline, which reflected not only improved turnover, but also a further slowdown in the rate of purchase price inflation."

-Ends-

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Note to Editors:

"PMI" is an acronym for *Purchasing Managers' Index*, a type of survey developed originally for tracking business conditions in the manufacturing sector. IHS Markit now uses "PMI" to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the *PMI* surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the Germany Retail PMI, IHS Markit has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the German retail sector. Similarly, the composition of the panel by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

IHS Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure “diffusion index” for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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.

The use of the diffusion index methodology means that the results for the Retail *PMI* will be directly comparable with *PMIs* for other sectors, such as manufacturing, services and construction.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/product/pmi.

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