

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

Germany Composite PMI slips to near four-year low in November

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 52.2 (53.4 in Oct). 47-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 53.3 (54.7 in Oct). 6-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 51.6 (52.2 in Oct). 32-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 50.2 (51.0 in Oct). 67-month low.

Data collected November 12-22

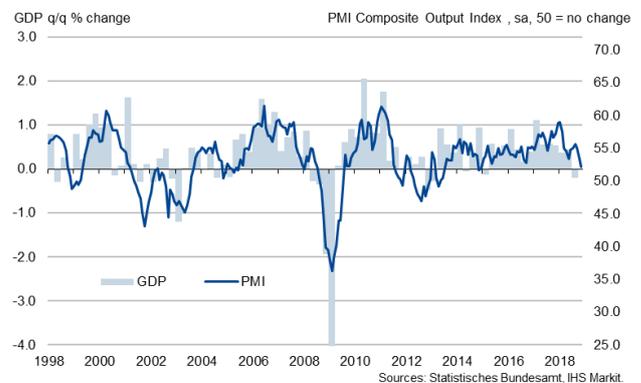
November PMI[®] survey data showed a further slowdown in growth of Germany's private sector, with output of goods and services rising the least in almost four years and the pace of job creation also moderating. New order growth eased closer to stagnation amid a further decrease in new exports, which was in turn reflected in a weakening of business expectations.

On the price front, the rate of inflation of charges for goods and services eased to six-month low, though still remained elevated by historical standards. Businesses continued to report strong cost pressures, linked in part to rising fuel and energy prices.

The **IHS Markit Flash Germany Composite Output Index** fell for the third month in a row in November, down from 53.4 in October to a 47-month low of 52.2. This reflected slower growth of both service sector business activity and manufacturing output, with the latter rising only fractionally and more slowly than at any other time in the past five-and-a-half years.

The overall performance of the manufacturing sector was subdued. The **IHS Markit Flash Germany Manufacturing PMI** registered a 32-

IHS Markit Germany Flash PMI



month low of 51.6 in November, down from October's 52.2.

New orders across Germany's private sector were up only marginally in November, rising the least in the current sequence of growth which began at the start of 2015. While services firms reported a further (albeit slower) increase in new business, manufacturing order books fell for the second month running and to the greatest extent in four years. This largely reflected a solid and accelerated decline in goods exports orders. New work received by service providers from non-domestic based clients also decreased, albeit slightly.

Businesses across both manufacturing and services continued to take on additional staff during November. However, with job creation having slowed in both sectors, the overall rate of **employment** growth was the lowest seen since May (albeit still well above the long-run series average).

The combination of slower order book growth and extra staffing capacity resulted in a drop in **backlogs of work** in November, the first such decrease since May 2016. The reduction was

centred on the manufacturing sector, where outstanding business fell for the third month running and at the fastest rate since December 2012.

Elsewhere, latest survey data showed a further steep rise in **average prices charged for goods and services**. Though the rate of inflation was at a six-month low, it was still strong in the context of the historical trend. Most firms that raised charges linked this to the pass-through of higher costs. **Input price inflation** likewise remained elevated in November, albeit slipping slightly compared with the rate seen in the previous month. Energy, fuel and staff pay were among factors driving the latest increase in costs, according to anecdotal evidence.

There were also reports from manufacturers of shortages of raw materials and bottlenecks in supply chains leading to higher prices paid for purchases. Accordingly, latest data indicated a further increase in **lead times** faced by goods producers. That said, the deterioration in vendor performance was the least marked since February last year.

Finally, November's survey data indicated a further weakening of **confidence** among German businesses towards the year-ahead outlook for activity. The degree of optimism was the lowest in almost four years, with concerns towards geopolitical tensions, weakness in the automotive sector and cooling market demand all serving to suppress business expectations.

Comment

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

"The Germany PMI continued to trend downwards in November, pointing to a sustained loss of underlying growth momentum in the euro area's largest member state.

"The survey data revealed that weakness in external markets continued to act as a restraining factor on performances across the private sector economy. Amid reports of falling sales to China, Italy and Turkey, manufacturers recorded the steepest monthly drop in new exports orders for almost six years, while service providers also noted a reduction in demand from non-domestic-based clients.

"A solid rate of job creation was one of few bright spots, though even here the data are showing a lesser appetite for hiring new staff amid weaker business confidence and signs of less pressure on capacity."

-Ends-

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Note to Editors:

Final November data are published on 3 December for manufacturing and 5 December 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 around 800 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	0.0	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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