

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

Retail sales growth moderates at start of 2018

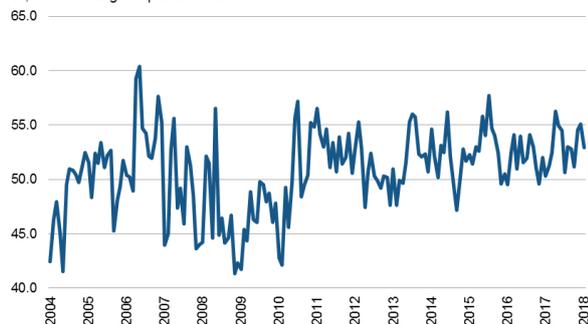
Key findings:

- Headline PMI dips to three-month low of 53.0
- Steep rise in average purchase prices squeezes gross margins
- Employment up for fourth straight month, but only slightly

Data collected from January 12-29

IHS Markit Germany Retail PMI

sa, 50 = no change on previous month



Source: IHS Markit.

German retail sales rose on a seasonally adjusted basis in January, marking a fourteenth successive monthly increase, according to the latest PMI[®] survey data from IHS Markit. However, the rate of growth was the weakest since last October, and there was also a deterioration in retailers' gross margins during the month amid heightened cost pressures within the sector.

The seasonally adjusted headline Germany Retail PMI registered 53.0 in January, down from 55.1 in December. Although easing, the rate of growth in sales remained solid and was in line with the average recorded over the current sequence of expansion.

Retailers also recorded a rise in sales on a year-on-year basis in January, with some noting that warmer-than-usual weather during the month had augmented an already-positive underlying sales trend.

Retail sales in January were slightly below businesses' expectations on average, which contrasted with the situation in December when targets were generally met.

However, despite the underperformance, the degree of confidence among retailers' towards future sales prospects improved from a five-month low in the previous survey period and was strong overall. Firms that were upbeat about the outlook commented on the upcoming release of new products and hopes that the current upturn would continue.

Reflecting sustained growth in sales, January saw a fourth consecutive monthly increase in the level of employment within the German retail sector. That said, the latest increase was the weakest in the current sequence of job creation and only modest overall.

The value of goods ordered for resale by German retailers meanwhile increased in January, the tenth month in a row in which this has been the case. But similar to the trends in sales and employment, the rate of growth in purchasing eased from that seen in the preceding survey period.

This was also the case for retailers' stocks of unsold goods, which rose at the slowest rate for three months in January, albeit still solidly overall.

Elsewhere, January's survey showed another steep monthly rise in average purchase prices

faced by retailers. The rate of inflation was faster than that seen in December and well above the average over the survey's near 16-year history. Firms commented on higher prices paid for range of fresh produce, including dairy, fruit and vegetables, as well as higher costs for manufactured goods.

The rise in cost pressures was a factor behind renewed a decline in retailers' gross margins, which in December had showed no change. The decrease was the eighteenth in the past 19 months and the most marked since last October.

Comment:

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

"After a strong end to 2017, retailers in Germany recorded further underlying sales growth in the first month of this year. Disappointingly, however, the PMI faltered slightly and recorded its lowest reading since October, at 53.0.

"There's strong optimism among retailers of a positive future sales performance, with a healthy labour market and high consumer confidence set to provide tailwinds in the months to come.

"While the situation for actual sales looks strong, there's still the issue of sharply rising costs, particularly in regards to fresh produce and manufactured goods, which in the latest survey was shown to have weighed on gross margins."

-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 <https://ihsmarkit.com/products/pmi.html>.

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