

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

German retail sales increase further in February

Key findings:

- Month-on-month growth signalled...
- ...but sales fall at fastest annual rate in almost two-and-a-half years
- Purchase price inflation accelerates to 21-month high

Data collected from February 10-24

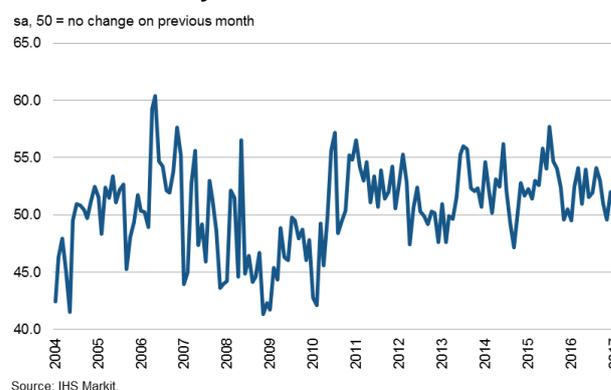
This release contains the February findings from the monthly Retail *PMI*® survey for Germany, produced by Markit. The headline figure is the Retail PMI, which measures month-on-month changes in sales.

The latest survey data signalled that German retailers continued to experience month-on-month growth in sales in February, after adjusting for seasonal factors. The rate of expansion picked up from January, when footfall had been hampered by very cold weather. Retailers continued to increase their purchasing activity and hired additional staff. That said, sales continued to decline on an annual basis, with the rate of reduction the fastest in almost two-and-a-half years. Retailers also faced stronger increases in purchase prices, with the rate of inflation hitting a 21-month high.

At 51.2, up from 50.3 in January, the seasonally adjusted headline Retail PMI signalled a third successive month-on-month expansion in sales in February. Some firms commented on a pick-up in business following a very cold January. The latest figure was above the long-run series average (50.6), but below the level for 2016 as a whole (52.0).

Although sales rose on a monthly basis, they fell further compared with one year earlier. Moreover, the annual rate of decline was the fastest since September 2014.

Markit Germany Retail PMI



Although monthly sales rose at a faster pace in February, they remained below-target. That said, the extent of the shortfall was less substantial than it had been in January. Meanwhile, retailers were at their most optimistic regarding the one-month outlook for sales for four months.

With sales continuing to rise on a monthly basis, retailers expanded their purchasing activity. The value of items bought for resale increased for the thirteenth straight month, although the rate of growth remained modest. Meanwhile, inventories of goods also rose for the thirteenth successive month.

German retail employment increased in February, extending the current sequence of job creation that began in June 2010. The rate of growth picked up slightly to a four-month high, but remained below the trend shown over the past six-and-a-half years.

Retailers in Germany faced growing price pressures in February. The rate of purchase price inflation accelerated for the fifth month running to the highest since May 2015. Anecdotal evidence partly linked cost pressures to higher prices for fuel and fresh food.

Margins remained under pressure midway through the first quarter, declining for the eighth consecutive month. The rate of reduction slowed from January's 49-month record, but remained sharp overall.

Comment:

Trevor Balchin, Senior Economist at IHS Markit, which compiles the Germany Retail PMI® survey, said:

“Growth of German retail sales picked up in February, according to the latest PMI data. That followed a weak January when footfall was impacted by very cold weather. The Retail PMI rose above its long-run average of 50.6 during the month, posting 51.2, but the index tracking year-on-year changes in sales continued to signal decline.

“Purchase prices paid by retailers increased at the fastest rate since May 2015, linked to fuel and fresh food. This imparted further pressure on retail margins which declined sharply during the month, albeit at a weaker rate than in January.”

-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. 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*, 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.

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. 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.

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)

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About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 30 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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