

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

German retail sales growth strengthens in March

Key findings:

- Fastest month-on-month growth in sales since September 2016
- First annual rise in sales in three months
- Purchase price inflation unchanged from February's 21-month high

Data collected from March 13-29

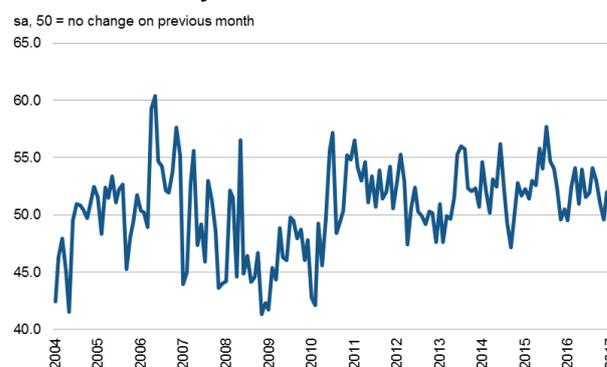
Sales growth in the German retail sector strengthened at the end of the first quarter, according to the March retail PMI® survey data. Sales rose on a seasonally adjusted month-on-month basis for the fourth successive month, and at the fastest rate since last September. Sales were also higher on an annual basis. Despite this, purchasing activity by retailers fell as they looked to deplete inventories, which declined for the first time in over a year. Retailers' purchase prices continued to rise sharply while their margins fell further, albeit less so than in recent months.

At 52.5, up from 51.2 in February, the seasonally adjusted headline Germany Retail PMI signalled a fourth successive month-on-month expansion in sales in March. The latest figure was the strongest in six months and also above the long-run series average (50.6).

Retail sales also increased when compared with March 2016. This followed a two-month sequence of declining year-on-year sales. The rate of growth was modest, however, and weaker than the trend shown over 2016.

With sales growth strengthening in March, German retailers were increasingly optimistic regarding the near-term outlook. Sales expectations for the forthcoming month, which includes Easter, were the strongest registered in 13 months.

Markit Germany Retail PMI



Source: IHS Markit.

German retailers continued to expand their workforces in March. The rate of job creation edged up to a five-month high but remained modest overall.

Although sales were up in March, retailers opted to streamline their warehouse stocks. The value of goods purchased for resale declined for the first time since January 2016, albeit only slightly. Subsequently, the value of items held in stock also fell for the first time since the start of last year.

The declines in purchasing activity and stocks of goods for resale partly reflected cost pressures facing retailers. The rate of purchase price inflation was unchanged from February's 21-month high, remaining stronger than the average over the survey history.

With cost inflation remaining marked, retailer margins continued to decline in March. That said, the rate of reduction was the slowest in five months, reflecting the sharper increase in sales during the month.

Comment:

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

“The German retail sector continued to recover in March from a weak start to the year. Sales rose at the fastest monthly rate since last September, and returned to growth on the year-on-year measure.

“The latest survey results also signalled a trend of destocking in the retail sector at the end of the first quarter on a seasonally-adjusted basis, the first contraction in warehouse levels since January 2016. This partly reflected further strong upward pressure on purchase prices as firms looked to protect margins.”

-Ends-

For further information, please contact:

IHS Markit

Trevor Balchin, Senior Economist
Telephone +44-1491-461-065
Email trevor.balchin@ihsmarkit.com

Joanna Vickers
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

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.

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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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