

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) June 23 2017

IHS Markit Flash Germany PMI®

German private sector output growth eases in June

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 56.1 (57.4 in May). 4-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 53.7 (55.4 in May). 5-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 59.3 (59.5 in May). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 60.5 (61.1 in May). 2-month low.

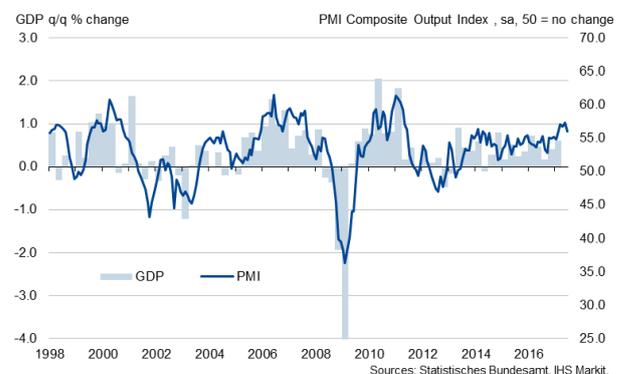
Data collected June 12-22

Private sector output in Germany continued to expand strongly in June, according to flash *PMI*® survey data from IHS Markit. That said, the rate of growth slowed to the weakest since February, with both manufacturing output and services business activity increasing at slightly softer rates than in May. The latest survey data also signalled the weakest price pressures since November 2016. Private sector employment growth eased to a six-month low, which partly explained a stronger rise in backlogs despite softer new business expansion.

The **IHS Markit Flash Germany Composite Output Index** registered 56.1 in June, down from 57.4 in May and indicating the slowest rate of expansion since February. That said, growth remained strong overall and was among the fastest registered over the past six years. Output has risen continuously since May 2013, the second-longest sequence of growth since the series started in January 1998.

Sector data signalled that **manufacturing output** continued to expand rapidly. The rate of growth was the second-fastest since April 2011, easing only fractionally since May. In contrast, **services business activity** increased at the slowest rate since January.

IHS Markit Germany Flash PMI



In the goods-producing sector, the easing in output growth was reflected in a slight dip in the **IHS Markit Flash Germany Manufacturing PMI** to 59.3, from April's 59.5. This was nevertheless indicative of the second-strongest overall performance of the sector since April 2011.

New business received by German private sector firms continued to expand sharply in June, albeit at a weaker rate than in May. The slowdown reflected the trend in the service sector, where new work increased at the weakest pace since September 2016. In contrast, manufacturing new order growth accelerated for the sixth time in seven months to the fastest since March 2011, with demand reported from Europe, America and Asia. That said, **new export orders** at goods producers increased at the slowest rate in four months.

Private sector **employment** in Germany continued to expand at a historically sharp rate mid-way through 2017. The rate of job creation slowed to a six-month low, but was nonetheless among the fastest registered since employment last began rising in November 2013. The service sector workforce increased at the weakest rate in 14 months, while manufacturing jobs expanded at the

second-fastest rate in over six years.

The underlying strength of business conditions in the German private sector was highlighted by a sharper increase in the volume of **outstanding business** in June. Backlogs rose at the second-fastest rate in just over six years. There remained contrasting trends between manufacturing and services, however, with the latter experiencing only a fractional build-up of outstanding business, while manufacturing backlogs increased at the fastest rate since April 2011. This partly reflected further delays at suppliers, whose **delivery times** lengthened to the greatest extent since April 2011.

Cost pressures moderated further in June. The rate of **input price** inflation slowed for the third successive month to the weakest since November 2016. Goods producers continued to report supply bottlenecks which supported overall input prices, but also mentioned lower prices for metals and the impact of the stronger euro. Meanwhile, **output prices** charged by German private sector firms also increased at the weakest rate in seven months, albeit one that remained historically sharp.

Although private sector output growth eased in June, the 12-month outlook for business volumes remained strongly positive. The **Future Output Index** fell from May's record level, but was nonetheless the third-highest since the combined manufacturing and services expectations series began in July 2012. Manufacturers were more optimistic than their service sector counterparts.

Comment

Commenting on the flash PMI data, **Trevor Balchin**, Senior Economist at IHS Markit said:

"The headline output index for Germany declined for the second time in three months during June, according to the flash estimate, but nevertheless remained at a level indicative of strong economic growth. The average reading for the second quarter, at 56.7, was the highest registered since Q2 2011 (57.5). IHS Markit's full-year forecast for 2017 GDP growth currently stands at 2.0% in calendar-adjusted terms, the strongest since 2011.

"The latest data signalled a growing performance gap between manufacturing and services, however. The goods-producing sector continued to outperform, with the headline PMI little-changed from May's 73-month record. Although growth of manufacturing output, exports and jobs all eased slightly since May, expansions in backlogs and total new orders gathered pace and supply bottlenecks intensified.

"In contrast, services output rose at the weakest rate since January, and new business growth slowed to a nine-month low. The gaps between the output and new business indices for manufacturing and services were both the widest since January 2014. Moreover, service providers increased employment at the slowest rate in 14 months.

-Ends-

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Note to Editors:

Final June data are published on July 3 for manufacturing and July 5 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 1000 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	-0.1	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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