

## MARKET SENSITIVE INFORMATION

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# S&P Global Flash Germany PMI®

## Downturn in German private sector economy deepens in August

### Key findings:

Flash Germany PMI Composite Output Index<sup>(1)</sup> at 47.6 (Jul: 48.1). 26-month low.

Flash Germany Services PMI Activity Index<sup>(2)</sup> at 48.2 (Jul: 49.7). 18-month low.

Flash Germany Manufacturing Output Index<sup>(4)</sup> at 46.4 (Jul: 45.0). 2-month high.

Flash Germany Manufacturing PMI<sup>(3)</sup> at 49.8 (Jul: 49.3). 2-month high.

Data were collected 12-19 August

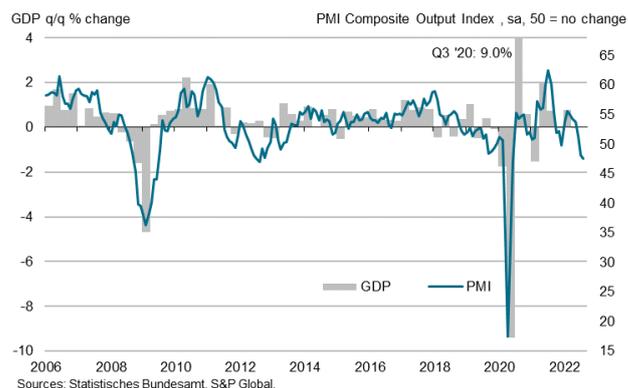
Business activity across Germany's private sector economy fell for the second month running and at a faster rate in August, latest 'flash' PMI® data from S&P Global showed. The deepening downturn was linked by surveyed businesses to a combination of factors that included uncertainty, high inflation and rising interest rates, all of which weighed notably on demand. Firms' expectations meanwhile ticked up from July's recent low, amid a further easing of rates of increase in businesses' costs and output prices, although confidence remained historically subdued.

The headline **S&P Global Flash Germany PMI Composite Output Index** dropped further into sub-50 contraction territory in August, down from 48.1 in July to 47.6. This pointed to the fastest fall in business activity since June 2020. The result reflected a deepening decline in service sector activity (index at an 18-month low of 48.2 from 49.7 in July), alongside a continued (albeit slightly slower) reduction in manufacturing production volumes (index up from 45.0 to 46.4).

Strong headwinds to demand were reflected in a third straight monthly decline in **inflows of new business** across Germany's private sector economy in August. The rate of decline eased slightly compared to the previous month, a trend evident across both manufacturing and services, although it remained solid overall and quicker than that of business activity. **Weaker export sales** were once again a key driver of the downturn, with goods producers recording the steepest drop in new business from abroad for over two years midway through the third quarter.

High stocks levels at customers were another factor leading to the cancelling or postponement of new orders across the manufacturing sector in August, the survey's

### S&P Global Flash Germany PMI Composite Output Index



anecdotal evidence showed. Indeed, near-record increases in both **pre- and post-production inventories** were recorded during the month, despite goods producers reporting back-to-back decreases in purchases of materials and components.

Businesses continued to face strong cost pressures during August, with many continuing to cite the influence of elevated energy prices and increased wages. That said, whilst remaining well above its historical series average, the overall rate of **input cost inflation** eased for the fourth month in a row to the weakest since September last year. In manufacturing, the rate of increase was down notably from last year's record highs, amid reports of a softening of some materials prices and a further easing of **supply bottlenecks** (the incidence of delays on purchases was the lowest since October 2020 although still historically elevated).

Matching the trend in input prices, **average prices charged for goods and services** continued to rise sharply but the rate of inflation eased for the fourth month running in August, down to its lowest since February. The slowdown owed exclusively to the service sector, with factory gate charges rising at a slightly quicker rate than in the previous month.

August saw firms' **expectations** towards future activity rebound from July's 26-month low, although confidence remained subdued and well below the level seen prior to Russia's invasion of Ukraine. Sentiment picked up in both monitored sectors, although in manufacturing it remained in negative territory. Surveyed firms continued to voice concerns about high inflation, future energy supplies and

# PMI®

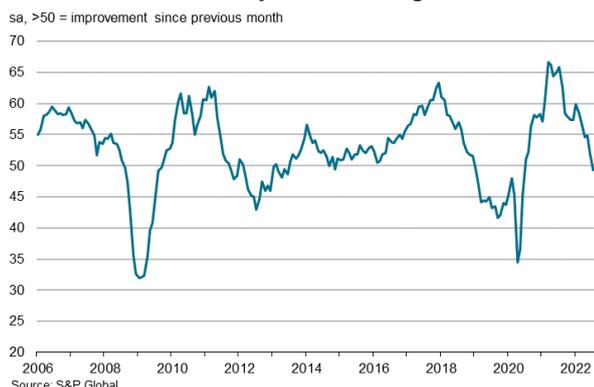
by **S&P Global**

# News Release

hesitancy towards investment.

Although **employment** across Germany's private sector continued to rise during August, thereby extending the current upturn to 20 months, the rate of job creation slowed to its weakest March 2021 amid muted growth forecasts and signs of easing capacity pressures (overall backlogs of work fell – albeit slightly – for the first time in over two years). Slower increases in workforce numbers were recorded across both monitored sectors.

## S&P Global Flash Germany Manufacturing PMI



Commenting on the flash PMI data, **Phil Smith**, Economics Associate Director at S&P Global Market Intelligence said:

*“The PMI data paint a bleak picture of the German economy midway through the third quarter, showing a deepening decline in private sector business activity. Continued weakness in manufacturing is being compounded by a slowdown in the service sector, with surveyed businesses reporting a growing strain on demand from high inflation and increased interest rates.*”

*“The slowdown in the economy is increasingly taking a toll on firms’ hiring activity, with employment growth easing to its weakest for almost a year-and-a-half in August. A first fall in backlogs of work for more than two years points to capacity pressures across Germany’s private sector economy starting to ease and represents a downside risk to job creation going forward.*”

*“Positively, August’s data provided evidence of a further easing of both supply side constraints and cost increases, which helped to lift business confidence from July’s recent low. However, with the threat of an energy crisis still looming large, the outlook remains riddled with uncertainty.”*

-Ends-

# News Release

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## Note to Editors

Final August data are published on 1 September for manufacturing and 5 September for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by S&P Global 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
Composite Output Index <sup>1</sup>	0.0	0.4
Manufacturing <i>PMI</i> <sup>2</sup>	0.0	0.3
Services Business Activity Index <sup>2</sup>	-0.1	0.6

The *Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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*<sup>®</sup> surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

S&P Global 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 S&P Global. Please contact [economics@ihsmarkit.com](mailto: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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## About PMI

Purchasing Managers' Index<sup>®</sup> (*PMI*<sup>®</sup>) 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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