

News Release

Embargoed until 0955 CET (0855 UTC) 1 March 2023

S&P Global / BME Germany Manufacturing PMI®

Easing supply-chain bottlenecks lift production in February, but new orders continue to fall

Key findings

Output rises marginally amid record shortening of input lead times

Decline in new orders eases but remains steep overall

Input costs fall for first time in almost two-and-a-half years

Germany's manufacturers recorded a first, albeit marginal, increase in output for nine months in February, as constraints on production from supply-chain bottlenecks showed further signs of easing, latest PMI® survey data showed. Supplier delivery times in fact showed a record improvement, with falling demand for materials also leading to a first decrease in average purchasing costs in almost two-and-a-half years.

However, whilst there were positives on the supply-side, demand remained under pressure, with new orders continuing to fall. Manufacturers were slightly more optimistic about the outlook compared to January, marking a fourth straight monthly improvement in sentiment, but business confidence nevertheless remained low by historical standards.

The headline seasonally adjusted S&P Global / BME Germany Manufacturing Purchasing Managers' Index® (PMI®) – which is a single-figure measure of sector performance derived from measures of new orders, output, employment, suppliers' delivery times and stocks of purchases – came in at 46.3 in February, down from 47.3 in January and its lowest for three months. A rapid improvement in supplier delivery times (the index for which is inverted in the calculation of the PMI) put downward pressure on the headline index, as did a decline in stocks of purchases. Notably, indices for output, new orders and employment each had a positive directional influence.

Better material availability led to a rise in production volumes across Germany's manufacturing sector in February, thereby ending a sequence of decline stretching back to last June. The increase in output was only marginal, however, as growth across both the consumer and investment goods categories was largely offset by a further drop in intermediate goods production.

New orders continued to fall across all main industrial groupings, though especially sharply in the intermediate goods category amid reports of businesses looking to run down stocks of inputs. Rising interest rates and a wait-and-see attitude among clients were also cited as headwinds to demand. The rate of decline in total new orders was the slowest for nine months, though it was still marked overall due in part to a steep and accelerated drop

Germany Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 10-21 February 2023.

Comment

Phil Smith, Economics Associate Director at S&P Global Market Intelligence, said:

"Latest PMI data showed a welcome uptick in production levels across the German manufacturing sector in February, the first in nine months, amid a substantial easing of supply-chain bottlenecks. However, thanks in large part to a sustained slump in new orders, the headline PMI remained firmly in sub-50 contraction territory, and even moved to a three-month low due to a fall in the stocks of purchases sub-component and strong downward pressure from the supplier delivery times index (which is inverted in the calculation of the PMI, meaning any improvement in delivery times pulls the headline index lower).

"With businesses having scaled back their purchasing activity in line with falling demand, this has reduced pressure on supply chains and led to improved delivery times, which has in turn reduced the need for excess safety stocks and thereby compounded the downturn in demand for inputs. As a result, we're seeing particular weakness in demand at makers of intermediate goods, who went against the trend in February and recorded a further reduction in output.

"The easing of supply chain pressures is not only underscored by a record improvement in delivery times, but also by a first drop in purchase prices for nearly two-and-a-half years, as the pendulum of pricing power swings back in the direction of buyers. Hopes for lower inflationary pressures helped brighten the outlook among German goods producers in February, although expectations are yet to return to the level prior to Russia's invasion of Ukraine."

in export sales.

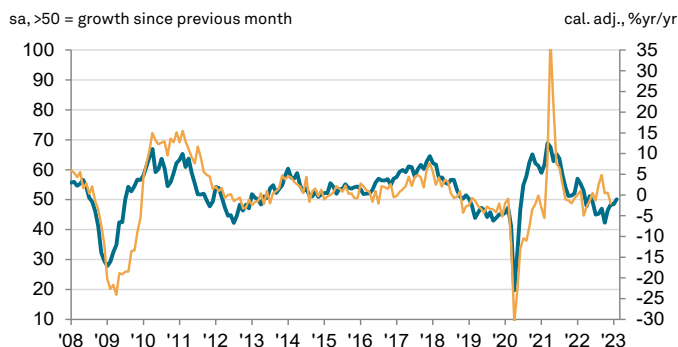
Stocks of purchases held by German manufacturers fell notably and for the first time in 17 months in February. A number of firms reported a preference for lower safety stocks due to improving lead times on inputs and lower customer demand. To help deplete stocks, manufacturers made further substantial cutbacks to purchasing activity in February. By contrast, post-production inventories showed a slight increase.

Falling demand for materials meanwhile contributed to a drop in average prices paid for purchases, the first seen since September 2020. The pass-through of previous cost increases by manufacturers nevertheless led to a further rise in factory gate charges. The rate of inflation remained above the historical series average but eased to the weakest for two years.

Manufacturers' expectations towards future output improved further from last October's recent low to the highest for 12 months in February. Firms were generally only cautiously optimistic about the outlook, however, with confidence remaining below the long-run average and well shy of the level prior to Russia's invasion of Ukraine.

Lastly, February's survey showed a sustained rise in manufacturing workforce numbers. The rate of job creation even picked up slightly, although it was still the second-weakest in the current sequence of employment growth stretching back to March 2021.

■ PMI Output Index ■ Manufacturing production



Sources: S&P Global, Federal Statistical Office.

Contact

Phil Smith
Economics Associate Director
S&P Global Market Intelligence
T: +44-1491-461-009
phil.smith@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44-796-744-7030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

Survey methodology

The S&P Global Germany Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 420 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1996.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Flash vs. final data

Flash data were calculated from 95% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

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. ihsmarkit.com/products/pmi.html.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.