

## MARKET SENSITIVE INFORMATION

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## S&P Global Flash Germany PMI®

### German business activity picks up in March, with inflation falling but still high due to services price pressures

#### Key findings:

Flash Germany PMI Composite Output Index<sup>(1)</sup> at 52.6 (Feb: 50.7). 10-month high.

Flash Germany Services PMI Activity Index<sup>(2)</sup> at 53.9 (Feb: 50.9). 10-month high.

Flash Germany Manufacturing Output Index<sup>(4)</sup> at 50.1 (Feb: 50.2). 2-month low.

Flash Germany Manufacturing PMI<sup>(3)</sup> at 44.4 (Feb: 46.3). 34-month low.

Data were collected 10-22 March

March's 'flash' PMI® data from S&P Global showed a second consecutive monthly increase in business activity across the German private sector, with the rate of growth accelerating though remaining only modest overall. The pace of job creation likewise picked up, though firms were a little less optimistic about the year-ahead outlook.

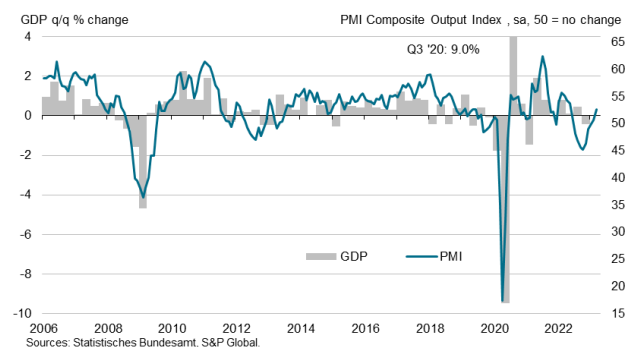
Output price inflation meanwhile remained elevated due to stubbornly high pressures in the service sector. It did however ease to a near two-year low amid an increased drag from manufacturing, where the decline in input prices deepened and supplier delivery times shortened at an unprecedented rate.

The headline **S&P Global Flash Germany PMI Composite Output Index** registered above the 50.0 no-change level for a second consecutive month in March. At 52.6, up from 50.7 in February, its latest reading signalled an acceleration in the rate of growth to the quickest since May last year. The index still remained below its pre-pandemic average of 53.3, however.

The upturn in activity in March was driven by the service sector, where growth quickened to a solid pace that was the fastest for ten months. Manufacturing output on the other hand was little-changed, following a marginal increase in February. Better material availability helped support production levels in some cases, with latest data showing a fresh record improvement in supplier delivery times, although this was almost entirely offset by a sustained downturn in new orders that led others to scale back output.

**Overall inflows of new work across the private sector** were broadly unchanged in March. A steep and slightly

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



accelerated fall in factory order books was counterbalanced by a sustained upswing in new business received by services firms, who reported a growing number of enquiries, including from international clients.

**Backlogs of work** fell for an eighth successive month in March. Once again, underlying data revealed contrasting trends at the sector level, with a marked reduction in manufacturing outstanding business outweighing a further modest rise in work-in-hand among services firms.

There remained a broad-based preference for higher workforce numbers in March. Whilst the rate of job creation across manufacturing was unchanged from the modest pace recorded in the previous survey period, hiring activity in the service sector picked up strongly to drive the steepest overall rise in private sector **employment** for eight months.

Turning to prices, March's flash data showed the rate of **inflation in charges for goods and services** still running well above its historical series average, but eased further from the highs in 2022 to a near two-year low. The pace of increase in service sector output prices ticked down to its lowest for 13 months, but it nevertheless remained higher than any time in the series history prior to March last year. Factory gate charge inflation exhibited a comparatively weaker trend, dropping to its lowest since January 2021.

Services price inflation was kept high by strong **cost pressures** across the sector which, according to anecdotal evidence, reflected growing wage demands and rising borrowing costs. This contrasted with the situation in manufacturing, where softer raw material and energy

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prices led to a sharp drop in overall input costs – the most marked since May 2020.

The drop in manufacturing purchasing costs owed partly to the rebalancing of supply and demand for materials, as falling order books and easing supply bottlenecks led goods producers to cut back their buying levels and reduce holdings of inputs. Lower stocks of purchases contributed to another sub-50 reading in the **Germany Manufacturing PMI** in March. The index in fact fell from 46.3 in February to 44.4, its lowest since May 2020. This was driven predominantly by the supplier delivery times component, which, due to being inverted in the calculation of the PMI, imparted a deeply negative directional influence as it surged to a new record high.

Lastly, March's flash survey indicated a slight weakening of **overall business expectations**. The result reflected reduced optimism among manufacturers, who continued to highlight concerns about falling demand. Service sector confidence meanwhile improved slightly, taking it to its highest since February 2022.

## 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 German economy took another small step in the right direction in March, according to latest flash PMI data. Business activity increased for a second straight month and the rate of growth picked up, although it remained only modest overall due to continued weakness in manufacturing.”*

*“The manufacturing sector lacks momentum right now, with new orders remaining in decline amid a period of caution among clients and excess inventory levels. Unsurprisingly, growth expectations in the sector remain low.”*

*“A key feature of the latest data was a deepening decline in manufacturing input costs, as material and energy prices retreat from their highs over the past two years and we see greater balance across supply chains.”*

*“The supplier delivery times index surged higher in a sign of rapidly improving material availability, registering more than ten points above its previous record that was set just a month earlier. Notably, because the supplier delivery times index is inverted in the calculation of the manufacturing PMI, its sharp rise has helped push the PMI to its lowest for almost three years.”*

*“The service sector did all the heavy lifting in terms of driving growth in March, and it's also increasingly becoming the main source of inflationary pressure as pricing power in the manufacturing sector wanes.”*

-Ends-

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## Note to Editors

Final March data are published on 3 April for manufacturing and 5 April 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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