

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 0930 (CEST) / 0730 (UTC) 21 August 2020

IHS Markit Flash Germany PMI®

Recovery in German economy loses some momentum in August

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 53.7 (July: 55.3). 2-month low.
- Flash Germany Services PMI Activity Index⁽²⁾ at 50.8 (July: 55.6). 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 59.1 (July: 54.7). 30-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 53.0 (July: 51.0). 23-month high

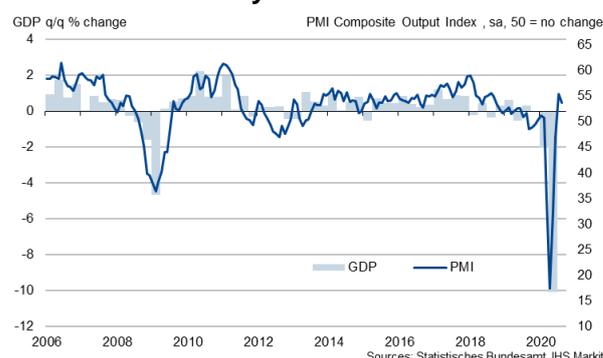
Data collected August 12-20

Business activity across Germany grew at a solid, albeit slower rate in August, latest 'flash' PMI® data from IHS Markit showed. The loss of momentum was confined to the service sector, where the survey showed a steeper decline in new business from abroad. Manufacturing meanwhile saw a further acceleration in growth of both output and new orders, though this failed to prevent another marked round of factory job losses.

The **headline Flash Germany Composite Output Index** came in at 53.7 in August, registering above the 50.0 no-change mark for the second month in a row but slipping from July's near two-year high of 55.3. The drop in the index reflected a slower rise in service sector business activity, which was up only marginally after strong growth in July. By contrast, manufacturing production rose sharply and at the quickest rate for two-and-a-half years.

Across the goods-producing sector, firms reported a boost to output from rising inflows of **new work**, which increased sharply for the second month in a row and showed the largest gain since December 2017. Supporting the upturn in manufacturing order book volumes was a further marked rise in **export sales**. Several panellists commented on higher demand from China and Turkey.

IHS Markit Germany Flash PMI



Service providers also recorded a rise in new business for the second month in a row in August. However, the rate of growth was only modest and slowed since July, resulting in a more moderate increase in overall volumes of new work across the private sector. Services firms reported a sustained drag from a reduction in new business received from international clients, which fell sharply and to a greater extent than in July.

Another factor weighing on demand across the service sector was a sustained decline in **employment**. The rate of job shedding eased for the third month in a row and was the weakest since the current decline began in March, though it still pointed to a notable drop in workforce numbers overall. At the sector level, manufacturers recorded another marked (albeit slower) reduction in employment that was among the steepest seen over the past 11 years, while services firms noted a fractional rise in staffing levels.

Backlogs of work rose marginally in August, thereby ending a sequence of reduction stretching back to November 2018. The increase was centred on the manufacturing sector, where strong growth in new orders led to the steepest rise in outstanding

business since May 2018.

Turning to prices, August's survey showed a marginal fall in **average charges for goods and services**, with the rate of decline the slowest in the current six-month sequence of discounting. Underlying data showed a marginal fall in service providers' charges, and broadly no change in factory gate prices.

Average input prices meanwhile rose for the first time in six months in August. This was driven by a solid increase in operating expenses across the service sector, which panellists linked to higher food prices and wage pressures. The decline in manufacturing purchasing costs meanwhile eased to the weakest for 15 months.

Business confidence towards activity over the coming year increased slightly in August, reaching the highest overall level for two years. However, this improvement masked contrasting trends across the two monitored sectors, with stronger optimism among manufacturers (expectations here were at a two-and-a-half year high) being partly offset by a slight loss of confidence among service providers.

Lastly, August saw the **Flash Germany Manufacturing PMI** rise to 53.0 from 51.0 in July. The only negative directional influence was from the stocks of purchases component, with goods producers reporting an accelerated decline in pre-production inventories. Efforts to streamline stocks were indeed reflected in only a marginal rise in manufacturers' purchasing activity, the rate of growth of which was well below those of both output and new orders.

Comment

Commenting on the flash PMI data, **Phil Smith**, Associate Director at IHS Markit said:

"Following the rapid gains in the German PMI in each of the previous three months that coincided with the initial reopening of the economy, August's flash results show the recovery having lost some momentum as the headline index dipped from July's near two-year high of 55.3 to 53.7. The slowdown was centred on the service sector, where growth was close to stalling amid renewed travel restrictions and a sustained decline in overall employment that continues to undermine domestic demand."

"Manufacturing was a relative positive, at least in terms of trends in output and new orders, which grew at the fastest rates for two-and-a-half years. However, the further cutbacks to factory workforce numbers are a reminder that there is still ground to make up and businesses remain under pressure to cut costs."

-Ends-

For further information, please contact:

IHS Markit

Phil Smith, Associate Director
 Telephone +44-1491-461-009
 Email: phil.smith@ihsmarkit.com

Katherine Smith, Public Relations
 Telephone +1-7813-019-311
 Email katherine.smith@ihsmarkit.com

Note to Editors:

Final August data are published on 1 September for manufacturing and 3 September 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 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
Germany Composite Output Index ¹	0.0	0.4
Germany Manufacturing PMI 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?"

About IHS Markit (www.ihsmarkit.com)

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, [click here](#).

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. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Flash Germany PMI[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit 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 IHS Markit 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. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.