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# IHS Markit Germany Services PMI®

Including IHS Markit Germany Composite PMI®

## Services activity declines in December amid a resurgence in the pandemic

### Key findings

Tighter restrictions weigh on activity and new business

Expectations buoyed by hopes of a better situation next winter

Price indicators remain historically high, but come off record levels

Data were collected 06-20 December 2021.

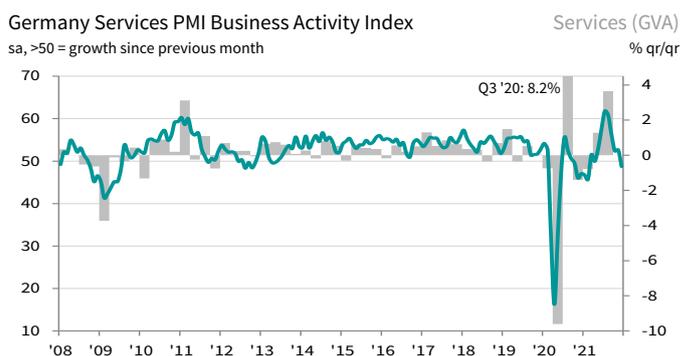
A fourth wave of COVID-19 infections and tighter restrictions led to a reduction in German service sector business activity in December. Demand was hit by the resurgence in the pandemic, with new export business falling particularly steeply. Businesses' growth expectations improved, however, reflecting widespread hopes that activity would rebound from the current low ebb over the course of 2022.

Price pressures meanwhile remained elevated in December. Rates of input cost and output price inflation ticked down from November's record highs, but were still the second-fastest on record.

After signalling growth in each of the previous seven months, the headline seasonally adjusted IHS Markit Germany Services PMI® Business Activity Index – moved below the 50.0 no-change threshold to 48.7 in December, down from 52.7 in November. The latest reading signalled a more moderate rate of decline that those seen during the first and second waves of the pandemic, however.

The combination of increased hesitancy among customers and tighter COVID-related restrictions led to a second consecutive monthly reduction in new business at German services firms in December. Furthermore, the rate of decline accelerated thanks in part to a deeper downturn in new business from abroad – the most marked since April.

Despite current business conditions deteriorating, German service providers remained upbeat about the outlook for activity over the coming year. The degree of optimism even picked up from November's 12-month low to the highest since



Sources: IHS Markit, Federal Statistics Office.

August. Positivity often stemmed from hopes that by late next year the pandemic would be under control, allowing activity levels to normalise.

Services employment, changes in which often lag developments in activity, continued to rise in December, extending the current sequence of growth to one-and-a-half years. Although still solid by historical standards, the rate of job creation did however slow notably since November to the weakest for nine months.

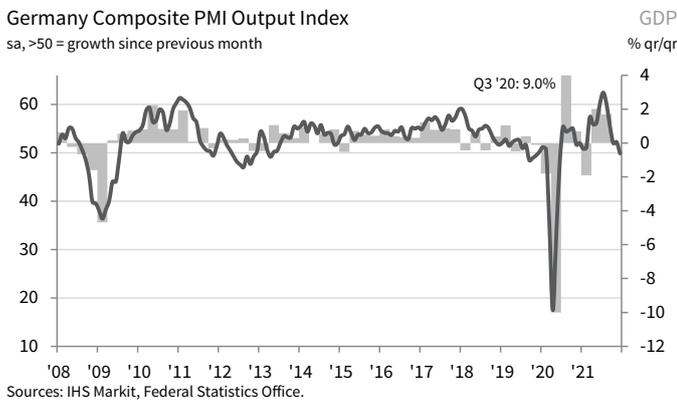
Firms that took on additional staff often reported efforts to expand operating capacity. Staff shortages, combined with difficulty sourcing materials and equipment (particularly IT and electronic), led to a slight rise in outstanding business (i.e. new work received but not yet completed) in December.

Turning to prices, latest data signalled a further sharp increase in average services charges in December. The rate of inflation slowed slightly from November's record high, but it was still quicker than at any other time in the series history stretching back to mid-1997.

Leading firms to raise charges in December was a continued surge in operating expenses. Energy, personnel, raw materials and transportation were all cited as sources of cost pressure. As was the case the case with charges, the rate of input price inflation was the second-fastest in the series history behind that recorded in November.

## IHS Markit Germany Composite PMI®

### Economy stalls as fourth wave of COVID-19 hits services activity



December saw the recovery in the German economy stall. The seasonally adjusted Germany Composite\* PMI Output Index, which is a weighted average of the Manufacturing Output Index and the Services Business Activity Index\*, registered 49.9 in December. This was down from 52.2 in November and broadly in line with the 50.0 no-change threshold.

A slightly faster rise in manufacturing output during the month was offset by a decline in services activity caused by a resurgence in the pandemic and renewed virus containment measures.

Overall new business waned at the end of the fourth quarter, led by a notable drop in demand across the service sector. Nevertheless, there was a broad-based improvement in expectations towards activity over the next 12 months, reflecting hopes that current constraints – both supply chain issues and high numbers of COVID infections – would ease over the course of 2022.

December saw a slowdown in the overall rate of job creation to a nine-month low. That said, the result masked an uptick in manufacturing employment growth.

On the price front, latest data showed further sharp increases in both input costs and average prices charged. Rates of inflation did, however, slip back from November's record highs to three-month lows.

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

### Comment

Phil Smith, Economics Associate Director at IHS Markit, which compiles the survey:

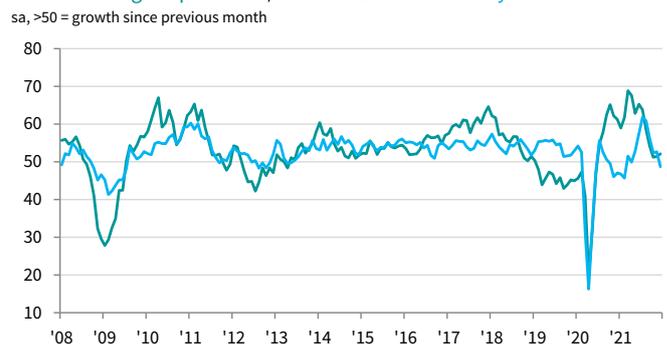
*"Although less stringent than during previous waves of the pandemic, the restrictions in place in December, combined with heightened anxiety and disruption caused by high numbers of infections, were enough to push business activity across Germany's service sector back into decline.*

*"The fall in activity was only modest, but with additional restrictions having come into effect since the December survey and the Omicron variant looming large, there are further downside risks to activity in January.*

*"Nevertheless, we saw services firms' confidence towards the year-ahead outlook improve in December, reflecting expectations that activity levels will inevitably start to normalise once infections and restrictions ease, and hopes that the pandemic will pose less of a threat to the economy this time next year.*

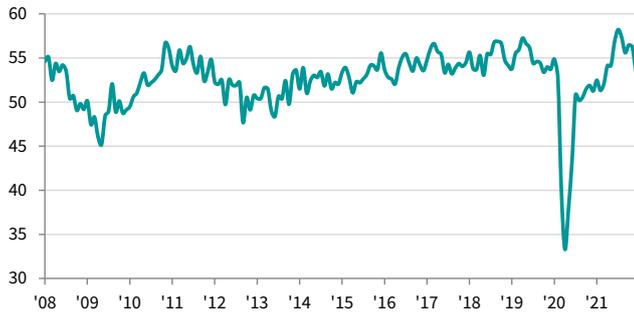
*"If the resurgence in the pandemic wasn't enough, sharply rising costs have further piled pressure on businesses. The rate of input price service sector inflation ticked down in December, but it stayed close to November's record high and could see fresh impetus from the renewed surge in energy prices that came at the tail-end of last year."*

### Manufacturing Output Index / Services Business Activity Index



Germany Services PMI Employment Index

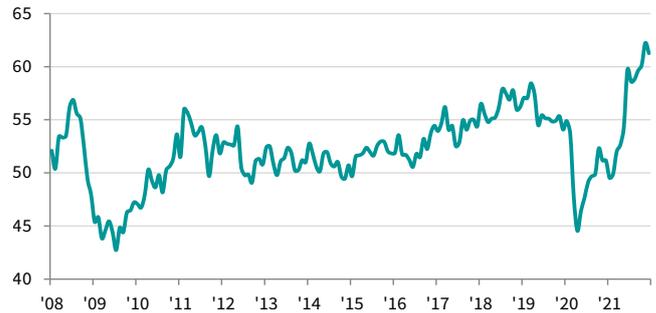
sa, >50 = growth since previous month



Source: IHS Markit.

Germany Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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Survey methodology

The IHS Markit Germany Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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](mailto:economics@ihsmarkit.com).

Survey dates and history

Data were collected 06-20 December 2021.

Survey data were first collected June 1997.

Flash vs. final data

Flash services data were calculated from 87% of final responses. Flash composite data were calculated from 91% of final responses.

Since January 2006 the average difference between final and flash Services Business Activity Index values is -0.1 (0.6 in absolute terms). Since January 2006 the average difference between final and flash Composite Output Index values is 0.0 (0.4 in absolute terms).

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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.

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