

# News Release

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## S&P Global / BME Germany Manufacturing PMI®

### Downturn in manufacturing sector eases in December as supply chain frictions fade

#### Key findings

PMI at three-month high amid slower fall in output

Improvement in supply contributes to sharp drop in price pressures

Manufacturers less pessimistic about year-ahead outlook

The downturn in Germany's manufacturing sector eased at the end of the fourth quarter, helped by a further reduction in supply chain frictions, according to latest PMI® survey data. Improvements in supply-side conditions in turn contributed to a marked cooling of price pressures across the goods-producing sector. Businesses' expectations meanwhile improved notably, but they nevertheless remained pessimistic overall, with weaker demand conditions just one of the factors weighing on sentiment.

The headline seasonally adjusted S&P Global / BME Germany Manufacturing Purchasing Managers' Index® (PMI®) – 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 47.1 in December. Although still below the 50.0 threshold that separates growth from contraction, the latest reading was up from 46.2 in November and the highest for three months.

The rise in the survey's headline index partly reflected its output component, which showed the rate of contraction in production ease to a modest pace that was the weakest since last June. Reports from surveyed businesses highlighted the influence of better material availability.

The improvement in supply-side conditions was further highlighted by a second straight monthly reduction in average lead times on inputs. The extent to which vendor performance improved was the most marked since December 2019.

However, many manufacturers (particularly producers of intermediate goods) continued to reduce output in line with falling intakes of new work. New orders were down for the ninth month in a row in December, reflecting heightened levels of uncertainty and high stocks among customers. The rate of contraction remained sharp and much quicker than that of output, though it too eased to the weakest since last June. New export orders fell markedly amid reports of lower demand in China and across Europe.

As well as depleting backlogs of work during December, German manufacturers also recorded a further build-up of stocks of

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



Source: S&P Global.  
Data were collected 6-16 December 2022.

#### Comment

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

*"Some of the gloom surrounding the German manufacturing sector has been lifted, with December's PMI survey showing the downturn in factory output levels easing, and less concern towards the year-ahead outlook."*

*"The survey signalled better availability of materials and with it an easing of the decline in production. Still, rapidly falling new orders remains an issue for many manufacturers, particularly intermediate goods producers (i.e. makers of components for other businesses), with high stocks being just one of the factors weighing on demand."*

*"With expectations remaining pessimistic, it suggests that in companies' minds the downside risks to future production continue to outweigh any growth opportunities. The outlook has, however, improved compared to the situation a few months ago, with concerns towards gas prices and supplies having subsided somewhat."*

*"On the price front, we're seeing further evidence of disinflationary forces in the manufacturing PMI survey. Although still historically elevated, the rate of factory gate price inflation has more than halved from its peak in the spring of last year, as supply chain bottlenecks ease and firms face greater difficulty passing on cost increases to customers."*

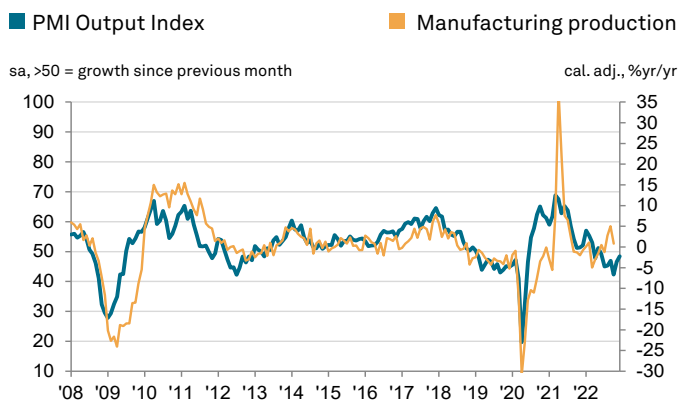
finished goods. That said, the latest increase – which was the eighth in as many months – was only modest and much weaker than seen in November. Pre-production inventories likewise rose more slowly, recording the weakest rate of accumulation in the current 15-month sequence. A number of firms in fact reported efforts to destock and as such cut back their purchasing activity. Overall buying levels among manufacturers fell sharply.

This reduction in demand for inputs meanwhile contributed to a sustained easing of supply chain price pressures. The rate of input cost inflation fell markedly for the third month in a row to its weakest in just over two years. It remained well above its pre-pandemic series average, however, owing in large part to high energy prices.

Factory gate charge inflation likewise fell sharply, down to a 22-month low, although it still remained at a level unsurpassed in the series history prior to March 2021.

December saw a notable improvement in manufacturers' expectations towards future output, with confidence picking up further from October's recent low to the highest since last March. Sentiment nevertheless remained pessimistic overall, with firms voicing concerns towards a slowing economy, energy supplies, high inflation, and the war in Ukraine.

On the employment front, latest data pointed to ongoing resilience as firms continued to fill vacancies. That said, the pace of job creation was the joint-slowest over the past 22 months



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### 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](mailto:economics@ihsmarkit.com).

### Flash vs. final data

Flash data were calculated from 93% 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](https://ihsmarkit.com/products/pmi.html).

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