

MARKET SENSITIVE INFORMATION

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S&P Global Flash Germany PMI®

German private sector remains in contraction in November, but rate of decline slows as price pressures retreat from recent highs

Key findings:

Flash Germany PMI Composite Output Index⁽¹⁾ at 46.4 (Oct: 45.1). 3-month high.

Flash Germany Services PMI Activity Index⁽²⁾ at 46.4 (Oct: 46.5). 2-month low.

Flash Germany Manufacturing Output Index⁽⁴⁾ at 46.4 (Oct: 42.3). 2-month high.

Flash Germany Manufacturing PMI⁽³⁾ at 46.7 (Oct: 45.1). 2-month high.

Data were collected 11-21 November

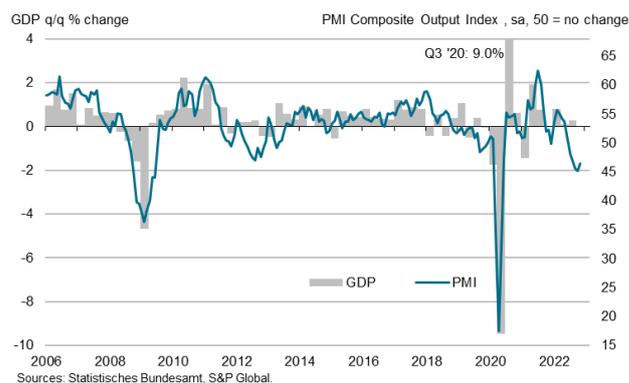
Germany's private sector economy remained firmly in contraction territory in November, latest 'flash' PMI® data from S&P Global showed. However, the rate of decline in business activity eased and firms were less pessimistic about the year-ahead outlook. Demand continued to come under pressure from strong inflation, though even on the price front there were some encouraging signs as firms reported the slowest increase in costs for a year-and-a-half and a weaker rise in prices charged for goods and services. Despite falling workplace activity, labour market conditions remained relatively robust.

The headline **S&P Global Flash Germany PMI Composite Output Index** remained below the neutral 50.0 threshold that separates growth from contraction for a fifth straight month in November, registering 46.4. However, this was up from October's 45.1 and the highest reading since August.

At the sector level, latest data showed sustained downturns in both manufacturing and services. The rate of decline in goods production was notably weaker than in October, however, amid reports of improved material availability. Indeed, goods producers reported an outright improvement in lead times on inputs for the first time since July 2020. The decline in services activity was meanwhile little-changed from that recorded in the previous survey period.

A combination of high inflation and uncertainty continued to weigh on demand for goods and services during November, reports from surveyed firms showed. **Inflows of new business** fell at a sharp rate that was only slightly slower than October's near two-and-a-half year record. Of the monitored sectors, manufacturers once again reported

S&P Global Flash Germany PMI Composite Output Index



the steeper decline in new orders, albeit one that was less marked than that seen in October. By contrast, the fall in service sector new business continued to gather pace, reaching the fastest since May 2020.

Inflationary pressures across Germany's private sector economy remained historically elevated midway through the final quarter of the year. That said, there were further signs of an easing of pipeline price pressures, as firms reported the weakest rise in **input costs** since May 2021. The slowdown was led by the manufacturing sector, where the rate of input price inflation fell sharply to a 23-month low. The rate of increase in service sector costs remained among the quickest on record, partly due to rising wages, although it too fell from the previous month, down to the lowest since August.

With businesses continuing to pass through higher costs to customers, November saw a further steep rise in **average prices charged for goods and services**. The rate of output price inflation ticked down and was the second-slowest in the past nine months, although it was still quicker than at any time in the series history prior to this (stretching back to September 2002).

German businesses were pessimistic about the **year-ahead outlook for activity** in November, the third month in a row in which this has been the case. The survey highlighted widespread concerns about the effects of high inflation, rising interest rates, and heightened levels of uncertainty on investment and economic conditions generally. That said, expectations improved further from September's near two-and-a-half year low, with both

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manufacturers and service providers less pessimistic about the outlook.

Despite weak business confidence and falling levels of activity, November's flash PMI survey highlighted ongoing resilience in labour market conditions across Germany's private sector. **Employment** even increased at a slightly faster rate, which in turn contributed to a steep and accelerated decline in **backlogs of work** – the quickest since June 2020. That said, the pace of job creation was still among the weakest seen since the recovery in workforce numbers began at the start of 2021.

S&P Global Flash Germany Manufacturing PMI

sa, >50 = improvement since previous month



Commenting on the flash PMI data, **Phil Smith**, Economics Associate Director at S&P Global Market Intelligence said:

“November’s flash PMI survey doesn’t alter the narrative that Germany is likely heading for a recession, but it does offer some hope that the contraction in the economy will perhaps be shallower than first feared. The headline PMI surprised on the upside, coming in above consensus at 46.4 and signalling the slowest rate of decline in business activity for three months.”

“Positively, data showed a reduction in the downward pressure on factory production, as manufacturers reported an improvement in material availability and an overall shortening of supplier delivery times for the first time in almost two-and-a-half years.”

“Not to get too carried away, however, underlying demand continues to weaken rapidly, linked to sharp price increases and hesitancy among customers, with the downturn in service sector new business even gathering pace to the quickest since May 2020.”

“The PMI survey shows that pipeline price pressures are moderating, with manufacturers reporting a sharp slowdown in the rate of input cost inflation to a near two-year low in November. That said, not only are firms’ costs still rising much faster than normal, but it will take time for the softening of pipeline pressures to feed through to slower consumer price inflation.”

“Business confidence has steadied somewhat, with a mild autumn having perhaps allayed concerns about gas shortages over the winter. That said, expectations have merely improved from ultra-low levels, meaning they are still rooted deeply in negative territory as firms continue to highlight concerns about the soaring cost of living, rising interest rates and still-high uncertainty.”

-Ends-

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Note to Editors

Final November data are published on 1 December for manufacturing and 5 December 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 ¹	0.0	0.4
Manufacturing <i>PMI</i> ²	0.0	0.3
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.

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.

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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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>.

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