

# News Release

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## IHS MARKIT GERMANY SERVICES PMI®

INCLUDING IHS MARKIT GERMANY COMPOSITE PMI®

### Growth of activity surges to new record in July

#### KEY FINDINGS

Record expansion in activity as COVID-19 restrictions ease

Rate of job creation also hits new record

Inflationary pressures remain elevated

Data were collected 12-27 July 2021.

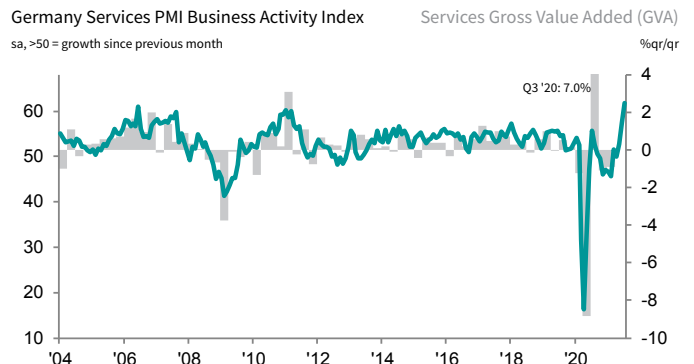
July saw an unprecedented expansion in business activity in the German service sector, with growth hitting the fastest since the survey began more than 24 years ago. New orders also expanded at a faster pace, while companies took on extra staff at the strongest rate on record.

Although rates of input cost and output price inflation softened from the records seen in June, they remained elevated and unprecedented prior to the current spike in inflation.

The headline seasonally adjusted Business Activity Index – which is based on responses to a single question asking about changes in the volume of business activity compared with one month previously – posted 61.8 in July, well up from the reading of 57.5 in June and surpassing the previous record set some 15 years ago. Anecdotal evidence suggested that strong order intakes amid the loosening of COVID-19 restrictions had been behind the expansion in activity.

Improvements in output were widespread across the six monitored sectors. This was also the case with regards to new orders. New business expanded at a substantial pace, and one that was the second-fastest on record, just behind that seen in January 2011. As well as the general easing of COVID-19 restrictions helping to support new business, there were some reports of particular improvements related to the reopening of the hospitality sector.

New export orders also increased, with growth recorded



Note: Services GVA data include retail, which is not included in the PMI.  
Sources: IHS Markit, Eurostat.

for the second month running amid signs of revival in international travel. That said, the expansion in new business from abroad was much softer than that seen for total new orders.

The recent ramping up of new orders combined with delivery delays and led to a marked rise in backlogs of work. The rate of accumulation was the fastest since February 2011.

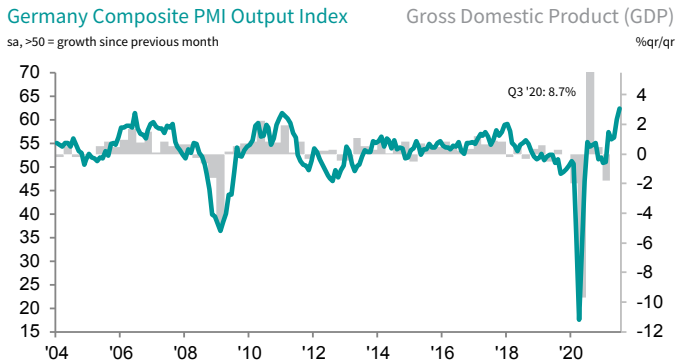
Companies responded to greater workloads by taking on staff at the steepest pace on record. Job creation was signalled across all of the sectors covered by the survey.

Substantial inflationary pressures were seen again in July, with rates of increase in input costs and selling prices only slightly down on the records seen in June. Higher input costs often reflected rising wages, with fuel and material costs also reportedly up. Companies often passed higher cost burdens on to their customers.

Service providers remained strongly optimistic that activity will increase over the coming year, with positive sentiment reflecting the expected end of the pandemic, projected new order growth and a recovery in travel and tourism.

## IHS MARKIT GERMANY COMPOSITE PMI®

## Record rise in business activity



Sources: IHS Markit, Federal Statistical Office.

The Germany Composite Output Index hit a new record high of 62.4 in July, up from 60.1 in June and surpassing the previous record set in June 2006. Strong increases in activity were seen across both the manufacturing and service sectors.

The rate of expansion in new orders also quickened to a record high at the start of the third quarter. Manufacturing continued to lead growth, but the rate of expansion in services new business hit a near-record high amid looser COVID-19 restrictions. Total new orders were supported by a marked increase in new business from abroad, particularly in the manufacturing sector.

The strength of new order growth and supply-chain disruption meant that backlogs of work accumulated at an unprecedented rate in July. In response to greater workloads, firms expanded their staffing levels, also at a record pace. Unprecedented rates of job creation were registered in both the manufacturing and service sectors.

Inflationary pressures remained elevated, despite easing slightly from June. The rate of input cost inflation was the second-fastest on record, with the increase particularly sharp at manufacturers. A similar trend was seen with regards to output prices as firms passed higher costs on to their customers.

Finally, business confidence dipped from June but remained stronger than the series average.

\*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. The Germany Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

## COMMENT

Commenting on the PMI data, Andrew Harker, Economics Director at IHS Markit said:

*"The recent surge in activity in the German service sector continued in July, with growth hitting the highest in more than 24 years of data collection as companies feel the benefit of the reopening of the economy following the lifting of COVID-19 restrictions. The ramping up of activity is also proving to be good news for workers, with companies taking on extra staff at an unprecedented rate.*

*"Inflationary pressures remain elevated, however, and companies will take little solace from the fact that costs rose at a slightly weaker pace than in June. With the sector running hot and severe pressure on capacity signalled, rising costs look set to remain a feature in the near-term at least."*

## CONTACT

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#### 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.

July data were collected 12-27 July 2021.

#### Flash vs. final data

Flash services data were calculated from 88% of final responses. Flash composite data were calculated from 92% 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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