

MARKET SENSITIVE INFORMATION

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S&P Global Flash Germany PMI®

German private sector economy slips deeper into contraction in September as increased energy costs bite

Key findings:

Flash Germany PMI Composite Output Index⁽¹⁾ at 45.9 (Aug: 46.9). 28-month low.

Flash Germany Services PMI Activity Index⁽²⁾ at 45.4 (Aug: 47.7). 28-month low.

Flash Germany Manufacturing Output Index⁽⁴⁾ at 47.0 (Aug: 45.3). 3-month high.

Flash Germany Manufacturing PMI⁽³⁾ at 48.3 (Aug: 49.1). 27-month low.

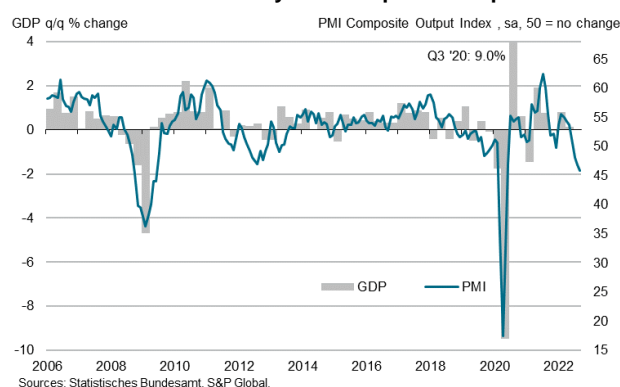
Data were collected 12-21 September

Latest 'flash' PMI® data from S&P Global showed a deepening decline in business activity across Germany's private sector economy at the end of the third quarter. Amid a backdrop of persistently high inflation, economic uncertainty and increased energy costs, firms recorded a substantial reduction in demand and revised down their expectations for future output to the lowest since the first wave of the COVID-19 pandemic. Inflationary pressures meanwhile intensified.

The headline **S&P Global Flash Germany PMI Composite Output Index** registered in sub-50 contraction territory for the third straight month in September. Furthermore, the decline in activity deepened, with the index falling from August's 46.9 to 45.9 – its lowest since May 2020. The deterioration owed to a steep and accelerated decline in service sector activity that was the quickest for 28 months. Manufacturing production was meanwhile down for the fourth month in a row, though the rate of contraction eased to the slowest since June amid some reports of improved raw material supply.

The survey's measure of inflows of **new business** showed a particularly weak trend in September, hinting at rapidly deteriorating demand for goods and services. The rate of decline in new work accelerated notably on the month to the fastest since May 2020, with both monitored sectors seeing the sharpest declines over this period, led by manufacturing. Across both monitored sectors, there were reports of increased hesitancy among customers due to growing pressure on budgets and continued uncertainty towards the outlook, with surveyed firms often highlighting the influence of the war in Ukraine and increased energy costs.

S&P Global Flash Germany PMI Composite Output Index



September saw the rate of increase in **business input costs** accelerate for the first time in five months, with higher energy prices providing the main impetus according to anecdotal evidence. The increase in service-sector costs was among the fastest seen in the series history, with higher interest rates and rising wage bills adding to cost pressures. Service providers raised their own prices more quickly as a result, driving a re-acceleration in the rate of inflation in overall **charges for goods and services** to the highest for three months.

Whilst still historically elevated and slightly faster than in August, the increase in manufacturing purchase prices remained some way off its peak in 2021, and there was also little change in the rate of factory gate price inflation. Indeed, outside of the energy market, there were further signs of supply-demand imbalances easing, with the incidence of **delays in the receipt of inputs** falling to the lowest for two years.

The moderation in material bottlenecks in part reflected a further decline in **purchasing activity** at the end of the third quarter. German manufacturers cut buying levels for the third month running and to the greatest extent since June 2020. Anecdotal evidence pointed to firms trying to manage **stocks of purchases**, which continued to rise at a solid pace, but one that was the slowest for six months. With manufacturing new orders falling much more quickly than output, **stocks of finished goods** also showed a further robust (albeit marginally slower) increase in September.

News Release

A second straight monthly decline in **backlogs of work** across Germany's private sector in September provided further evidence of capacity pressures easing. The decline accelerated to the fastest since June 2020, as a quicker fall in manufacturing order backlogs was accompanied by a first drop in service-sector outstanding business for ten months.

The easing of capacity pressures was reflected in a slowdown in the rate of private sector **employment** growth for the second month running, down to the lowest since February 2021. Underlying data indicated greater caution towards hiring across both manufacturing and services.

Looking ahead, September's survey indicated a considerable deterioration in **firms' expectations** towards future activity. After recovering somewhat in August, sentiment turned pessimistic once again and was the lowest since May 2020, reflecting a loss of confidence among services firms and an increasingly gloomy outlook across the manufacturing sector. The supply and cost of energy was of particular concern among businesses.

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:

“The German economy looks set to contract in the third quarter, and with PMI showing the downturn gathering in September and the survey's forward-looking indicators also deteriorating, the prospects for the fourth quarter are not looking good either.”

“The deepening decline in business activity in September was led by the service sector, which has seen demand weaken rapidly as customers pull back on spending due to tightening budgets and heightened uncertainty about the outlook.”

“Whilst constraints on manufacturing output from material shortages looked to have eased somewhat, resulting in a shallower decline production levels in September, goods producers like their service sector counterparts have nevertheless grown increasingly concerned about activity in the coming months, with the energy crisis stoking recession fears.”

“Just when it looked like underlying inflationary pressures might be easing, a fresh surge in energy prices has seen business input costs rise at a faster rate for the first time in five months, in turn leading to a renewed acceleration in average prices charged for goods and services.”

-Ends-

News Release

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Note to Editors

Final September data are published on 3 October for manufacturing and 5 October 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 PMI 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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