

Embargoed until 0955 CEST (0755 UTC) 5th October 2020

## IHS MARKIT GERMANY SERVICES PMI®

INCLUDING IHS MARKIT GERMANY COMPOSITE PMI®

### Business activity almost stagnates in September as rebound loses further momentum

#### KEY FINDINGS

Business Activity Index drops to three-month low of 50.6

Firms slightly less optimistic towards future output

Further marginal rise in employment

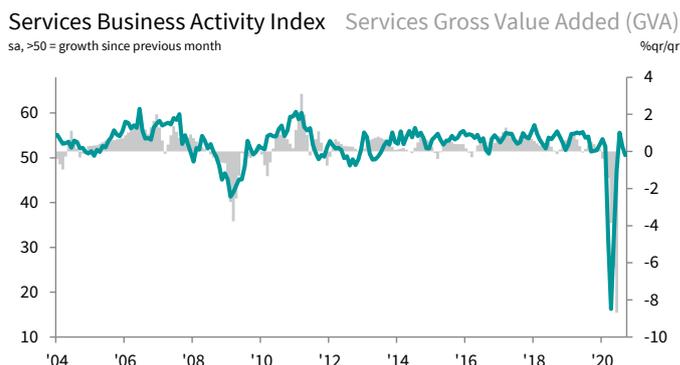
Data were collected 11-25 September 2020.

The German service sector's recovery from the coronavirus disease 2019 (COVID-19) shutdown lost further momentum in September, with activity rising only marginally and at the slowest rate for three months. Expectations towards activity also weakened slightly, though firms remained confident enough to add to workforce numbers amid steadily rising inflows of new business.

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 – slipped to 50.6 in September, down from 52.5 in August. The latest reading pointed to only a marginal rise in activity that was the weakest in current three-month sequence of growth. That said, it represented an upward revision on the earlier 'flash' estimate of 49.1.

Among those businesses that recorded a rise in activity in September, there were mentions of increasing numbers of enquiries and customers. Others, however, noted that demand continued to be disrupted by COVID-19, especially from clients abroad. As such, while overall new work increased in September for the third month in a row, the rate of growth remained subdued thanks in part to a further marked decrease in international new business.

The relatively weak inflow of new work was underlined by a further decrease in service sector backlogs in September. This extended the current sequence of decline to 14 months.



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

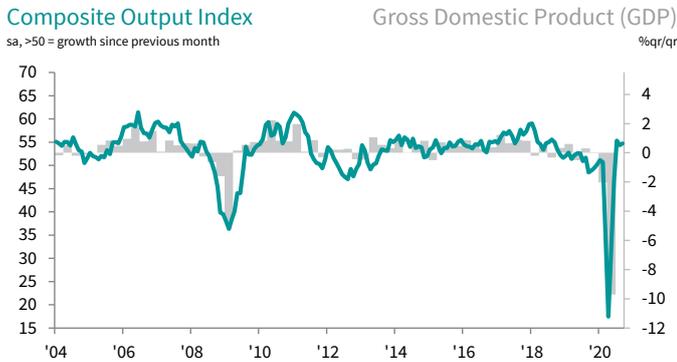
Firms' optimism towards activity over the year ahead waned slightly for the second month in a row. Firms were generally hopeful of seeing a further loosening of restrictions and an associated recovery in demand over the next 12 months, but the level of confidence was the lowest since June amid a rise in infection numbers across Europe and in Germany.

German service providers maintained a cautious approach to hiring in September. Though sector employment was up for the third month in a row following deep cuts to payroll numbers between March and June, the rate of job shedding remained modest, and often firms that took on new staff reported hiring for either part-time, temporary or trainee positions.

Elsewhere, latest data pointed to a near-stabilisation in average prices charged across the service sector, following decreases in each of the previous six months. Strong competition continued to weigh on pricing power, according to anecdotal evidence, although some firms did report increasing charges in line with higher costs. Input price inflation picked up to the highest since February, with surveyed firms commenting on higher costs of food and wages.

## IHS MARKIT GERMANY COMPOSITE PMI®

## Manufacturing leads growth in private sector activity



Sources: IHS Markit, Eurostat.

Buoyed by sharp and accelerated growth of manufacturing production, the Germany Composite\* Output Index ticked up to 54.7 in September from August's 54.4. The steep increase in factory output, which was the fastest since December 2017, sufficiently offset a slower rise in service business activity.

Stronger manufacturing expectations towards future output likewise supported an overall pick-up in business confidence to the highest since April 2018.

Overall inflows of new business rose the most since January 2018. The steepest of the increases in new work at the sub-sector level was recorded among goods producers, who, unlike their services counterparts, saw a rise in new business from abroad in September.

There were also contrasting trends for outstanding business, with a rise in manufacturing backlogs outweighing lower work-in-hand across the service sector.

On the employment front, overall payroll numbers fell at the slowest rate for seven months. This reflected the combination of a slight increase in staffing numbers at service providers and a slower fall in factory jobs.

Turning to prices, data showed another marginal fall in average charges for goods and services, with the rate of decline the joint-weakest in the current sequence since March. Overall input costs meanwhile rose moderately.

*\*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, Phil Smith, Associate Director at IHS Markit said:

*"Growth in the German service sector slowed to a crawl in September, as the rebound in activity from the COVID-19 lockdown continued to lose steam. However, when looking at trends elsewhere in the eurozone, the fact there was growth at all could be seen as a positive.*

*"COVID-19 infection numbers have been rising in Germany but not to the extent seen elsewhere in Europe, so while business sentiment among German services firms has started to wane, there hasn't been the same impact on actual services activity as seen in the likes of Spain and France.*

*"While the service sector is close to stalling, growth in Germany has been buoyed by a reviving manufacturing sector, which means the economy carries at least some momentum heading into the final quarter of the year. Germany is also doing slightly better than most of its eurozone peers in terms of employment trends, with the surveys pointing to some hiring across the service sector and a slowdown in factory job cuts."*

## CONTACT

---

### IHS Markit

Phil Smith  
Principal Economist  
T: +44-1491-461-009  
[phil.smith@ihsmarkit.com](mailto:phil.smith@ihsmarkit.com)

Katherine Smith  
Public Relations  
T: +1-7813-019-311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

---

### 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.

September data were collected 11-25 September 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Flash vs. final data

Flash services data were calculated from 78% of final responses. Flash composite data were calculated from 86% 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).

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

---

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

### 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)

If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, click [here](#).

### BME

BME is the German Association for Materials Management, Purchasing and Logistics, founded in 1954. It provides services for around 9000 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME promotes a dialogue between business and academia, both on the demand and the supply side, by providing the necessary networks for communication and knowledge exchange. The association is open to all company types from any sector (industry, trade, banking/insurance, public sector, service providers, etc.).

Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME), Frankfurter Str. 27, 65760 Eschborn

Frank Rösch E-Mail: [frank.roesch@bme.de](mailto:frank.roesch@bme.de) Internet: [www.bme.de](http://www.bme.de)