

## IHS MARKIT / BME GERMANY MANUFACTURING PMI®

### August sees further sharp manufacturing contraction as outlook darkens

#### KEY FINDINGS

Headline PMI stays close to July's seven-year low

Job losses gather pace as expectations hit record low

Faster falls in both input costs and output charges

Germany's manufacturing sector remained firmly in contraction in August, latest PMI® data from IHS Markit and BME showed. Faced with sharply falling inflows of new work, goods producers scaled back output and cut jobs more steeply during the month. Moreover, output expectations hit a record low.

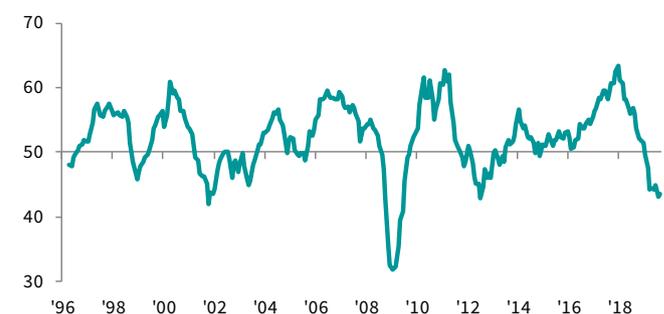
Deflationary forces meanwhile continued to build across the manufacturing sector, with the survey showing faster decreases in both input costs and output charges.

At 43.5 in August, the headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – remained close to July's seven-year low of 43.2, thereby signalling another sharp monthly contraction of the goods-producing sector.

Principal weakness continued to stem from lower demand, particularly for intermediate and capital goods. Total new orders fell in August at a rate surpassed only twice (in March and April 2019) in over a decade. Behind this was a further steep decline in new export orders, albeit with the rate of decline easing from July's ten-year record. The report highlighted uncertainty among clients leading to a reluctance to commit to new orders. Lower demand from the car industry was also frequently cited.

Output fell for the seventh month in a row in August. The rate of decline eased since July and was notably slower than that of new orders, however, as firms continued to support

Manufacturing PMI  
sa, >50 = improvement since previous month



Source: IHS Markit

productions levels through work on backlogs.

Employment, by contrast, fell at a quicker rate. Having accelerated for the second month in a row, the pace of job shedding reached the fastest since July 2012. The survey showed firms cutting staffing capacity by often reducing the use of contractors.

The accelerated drop in staffing numbers was consistent with firms growing more pessimistic about the outlook for output. Sentiment slumped during August to the lowest seen since data on companies' expectations were first collected in mid-2012.

Manufacturers also maintained a preference for lower stocks in August. As such, purchases of materials and parts fell sharply again during the month. Alongside a further marked improvement in lead times, the drop in buying activity led to a fourth straight monthly reduction in average purchase prices, as a number of firms reported successful re-negotiations with suppliers. Moreover, the rate of decline in input prices was the quickest since March 2016.

Average output charges also fell in August, dropping for the second month in a row following the first reduction in almost three years in July. Though only modest and slower than that of costs, the rate of decline in factory gate prices was the quickest seen since April 2016.

COMMENT

Phil Smith, Principal Economist at IHS Markit, which compiles the Germany Manufacturing PMI survey, commented:

*"Germany's manufacturing PMI held close to a seven-year low in August as new orders continued to fall sharply and the production of goods was scaled back once again. Furthermore, a marked drop in firms' output expectations to a record low suggests that things could even get worse before they get better."*

*"The slump in Germany's manufacturing sector goes on and, with no light at the end of the tunnel just yet, the number of goods producers cutting staff numbers continues to rise, boding ill for domestic demand."*

*"Manufacturing is now not only in recession, but the PMI data also point to deflationary forces building with regard to producer prices as supply outstrips demand."*



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Methodology

The IHS Markit / BME Germany Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. 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 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.

August 2019 data were collected 12-22 August 2019.

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

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html).

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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.).

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