

# News Release

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## S&P Global / BME Germany Manufacturing PMI®

### Manufacturing sector remains in contraction territory, but cost and supply pressures ease

#### Key findings

November sees further, albeit slower, falls in output and new orders

Input cost inflation sinks to 23-month low as lead times shorten

Expectations remain pessimistic but improve from October's low

Germany's manufacturing sector remained in contraction at the midway point of the fourth quarter, with goods producers reporting a notable weakening of demand, according to latest PMI® survey data. Rates of decline in output and new orders were slower than in October, however, while firms were less pessimistic about the outlook. Expectations were lifted in part by an easing of material shortages and an associated slowdown in the rate of input cost inflation, which retreated to a near two-year low.

The headline seasonally adjusted S&P Global / BME Germany Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of sector performance derived from measures of new orders, output, employment, suppliers' delivery times and stocks of purchases – registered 46.2 in November, thereby remaining in sub-50 contraction territory for a fifth straight month. However, up from October's near two-and-a-half year low of 45.1, the latest figure pointed to a slight slowdown in the rate of decline.

November's survey showed another sharp drop in new orders across the German manufacturing sector, indicating a sustained weakening of underlying demand for goods. The rate of contraction eased since October, when it had shown the most marked decline for almost two-and-a-half years, but was still the second-fastest since May 2020. High energy costs, soaring inflation and an uncertain economic outlook each acted as headwinds to demand, according to surveyed businesses. Furthermore, goods producers noted a further sharp fall in new export orders, with lower sales to Asia and across Europe reported.

Output levels likewise fell during November, although the rate of decline eased and was much slower than that of new orders. Improved material availability helped support production, according to a number of surveyed businesses, as did the clearing of backlogs of work, which fell sharply and the sixth month in a row.

Reports of improved material availability coincided with a shortening of average lead time on inputs, the first time this

Germany Manufacturing PMI  
sa, >50 = growth since previous month



Source: S&P Global.  
Data were collected 11-23 November 2022.

#### Comment

Phil Smith, Economics Associate Director at S&P Global Market Intelligence, said:

*"Although the immediate threat of gas shortages may have subsided somewhat, contributing to an improvement in expectations from October's low point, energy security remains a major concern for German manufacturers, as does falling demand."*

*"New orders have plunged rapidly in recent months, leading to a build-up of inventories and becoming the main drag on output for many manufacturers in place of material shortages."*

*"Pressure on supply chains has been steadily easing thanks in part to the scaling back of purchasing activity among manufacturers. The improvement in supply conditions was underscored by the survey's delivery times index registering above the 50.0 no-change threshold for the first time in almost two-and-a-half years in November."*

*"With the easing of supply-chain bottlenecks comes a softening of inflationary pressures in the goods-producing sector. The rate of increase in manufacturing input costs slowed sharply for a second straight month in November to leave it at its lowest for almost two years. This bodes well for headline inflation as easing pipeline price pressures start to filter through."*

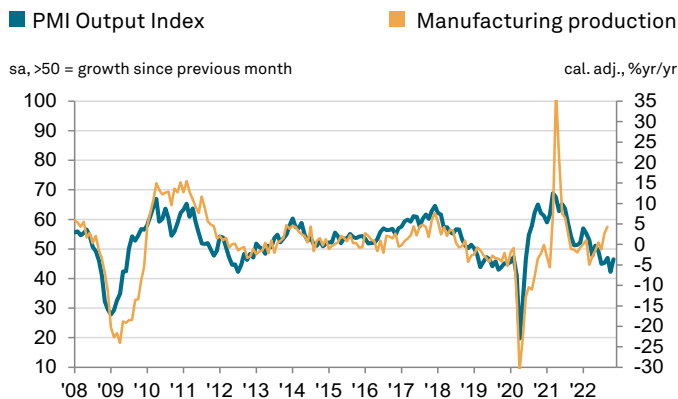
has been the case since July 2020. Manufacturers reported less pressure on suppliers due to lower demand for materials and components. Indeed, the quantity of purchases made by German goods producers fell for the fourth month running and to the greatest extent for two-and-a-half years. Stocks of purchases rose at the slowest rate for eight months, whereas post-production inventories increased more quickly.

The easing of supply-chain pressures in turn contributed to a further slowdown in the rate of input cost inflation, which registered one of its steepest monthly drops on record to take it to its lowest since December 2020. It was still above its historical series average, however, largely reflecting the influence of still-elevated energy costs.

Factory gates charges meanwhile increased at a slowest rate for 19 months in November, but one that was still quicker than at any time in the series history prior to May 2021.

German manufacturers remained pessimistic about the year-ahead outlook for output in November, citing concerns about energy security, high inflation, tightening financial conditions and growth prospects both domestically and abroad. Expectations did, however, improve from October's two-and-a-half year low, with easing supply-chain constraints cited as a factor.

Lastly, November's survey showed a further, albeit slower, rise in employment. The increase in workforce numbers, which firms partly attributed to the filling of vacancies, was the second-slowest in the current 21-month sequence of job creation.



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### Survey methodology

The S&P Global Germany Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 420 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1996.

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.

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

### Flash vs. final data

Flash data were calculated from 94% of final responses. Since January 2006 the average difference between final and flash Manufacturing PMI values is 0.0 (0.3 in absolute terms).

### 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).

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