

Embargoed until 0955 CET (0855 UTC) 3rd February 2021

## IHS MARKIT GERMANY SERVICES PMI®

INCLUDING IHS MARKIT GERMANY COMPOSITE PMI®

### Downturn in services activity continues in January amid tighter lockdown measures

#### KEY FINDINGS

Business activity falls for fourth straight month

Year-ahead expectations reach 23-month high

Strongest rise in employment since February 2020

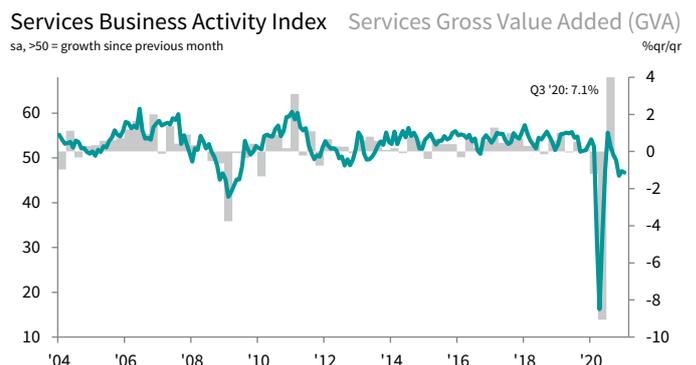
Data were collected 12-26 January 2021.

Business activity across the German service sector contracted for a fourth straight month in January, as the country continued to tighten lockdown measures amid a second wave of coronavirus disease 2019 (COVID-19) cases. Still, hopes over the rollout of vaccines saw service providers grow more optimistic about the year-ahead outlook for activity, with employment also increasing during the month.

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 – registered 46.7 in January, down from 47.0 in December. However, while it pointed to a solid rate contraction, the latest reading remained much higher than the record low last April (16.2) during the first lockdown.

The worst-performing sectors remained those affected by temporary closures, such as Hotels & Restaurants. That said, activity was also shown to have fallen in the Renting & Business Activities and Financial Intermediation categories.

Virus containment measures and uncertainty among clients continued to stifle demand across the service sector at the start of the year. Inflows of new work were down for the fourth month in a row, albeit falling slightly less sharply than in November and December. Contributing to the decline was a further steep drop in new export business.



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

January data showed a further decrease in the amount of outstanding business at German service providers. Like the trends seen elsewhere, the rate of decline eased but was still solid overall.

One of the main positives from January's survey was a continuation of the recent upturn in services employment. After falling sharply in the spring of 2020, payroll number have now risen steadily in each of the past seven months. The rate of job creation accelerated to the quickest in the current sequence, though it was still slower than in the months before the pandemic struck.

Improving for the third month in a row, firms' expectations for activity in 12 months' time reached the highest for nearly two years in January. Around 42% of surveyed businesses were optimistic towards future output, with many hopeful for the return of more normal operating conditions with the aid of vaccinations.

Lastly, January's survey showed a renewed – albeit only slight – decline in average prices charged by service providers, following modest increases in the previous three months. This was despite a further solid rise in average costs.

## IHS MARKIT GERMANY COMPOSITE PMI®

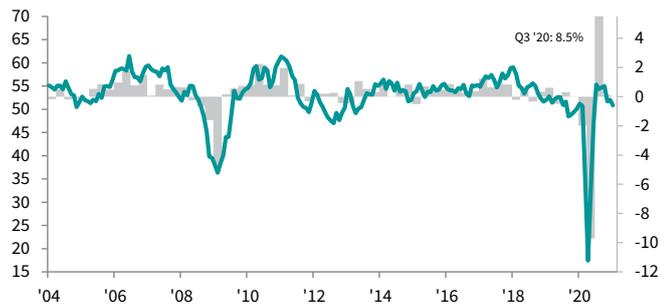
## Private sector makes weak start to 2021

## Composite Output Index

sa, &gt;50 = growth since previous month

## Gross Domestic Product (GDP)

%q/q



Sources: IHS Markit, Eurostat.

The combination of lower service sector activity and a slowdown in manufacturing output growth in January saw the Germany Composite Output Index slip from 52.0 in December to a seven-month low of 50.8.

It was a near-identical picture for new business, with a further strong – albeit slower – increase in manufacturing order book volumes offset by reduced inflows of new work at service providers. Rising international sales of manufactured goods maintained an overall upturn in new export business.

One area where both monitored sectors saw an improvement was business confidence. Overall expectations towards output in a year's time reached the highest since February 2018.

January saw a slight increase in private sector employment. While job creation was centred on the services economy, manufacturing did at least see a slowdown in the pace of staff cuts.

Average output prices were broadly unchanged in the opening month of the year, as a slight rise in goods prices was offset by lower average services charges.

Input prices, on the other hand, showed a strong rate of inflation, rising to the greatest extent for more than two years. The main driver was a sharp and accelerated increase in manufacturing purchasing costs.

\*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, Economics Associate Director at IHS Markit said:

*"The service sector was a drag on the German economy at the start of the year, according to latest PMI data, with business activity falling for the fourth month in a row and at a slightly quicker rate as lockdown restrictions were further tightened. After recording the smallest of expansions in the final quarter of 2020, the economy looks likely to see a renewed contraction in the first quarter of 2021, with the current strict lockdown measures continuing until at least mid-February and even manufacturing showing some loss of growth momentum.*

*"There was better news on the jobs front, as the recent steady rebound in service sector employment continued into the new year. However, progress remains relatively slow and uneven, with businesses in some industries still leaning heavily on the short-time work scheme.*

*"Services firms have continued to grow in confidence about the year-ahead outlook for activity, reflecting hopes that restrictions can start to be lifted as vaccinations are rolled out across the population. However, current conditions for businesses remain challenging, not least in terms of them having to absorb rising costs. The survey's measure of overall cost pressures in the economy reached its highest for over two years in January, though manufacturers have so far taken most of the brunt."*

## CONTACT

---

### IHS Markit

Phil Smith  
Economics Associate Director  
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.

January data were collected 12-26 January 2021.

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 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).

### 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 © 2021 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).