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MARKET SENSITIVE INFORMATION
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IHS Markit Flash Germany PMI®

Germany's private sector sees modest growth in April as resilient services performance continues to offset manufacturing weakness

Key findings:

- Flash Germany PMI Composite Output Index⁽¹⁾ at 52.1 (Mar: 51.4). 2-month high.
- Flash Germany Services PMI Activity Index⁽²⁾ at 55.6 (Mar: 55.4). 7-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 44.5 (Mar: 44.1). 2-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 45.6 (Mar: 43.9). 2-month high.

Data collected April 10-17

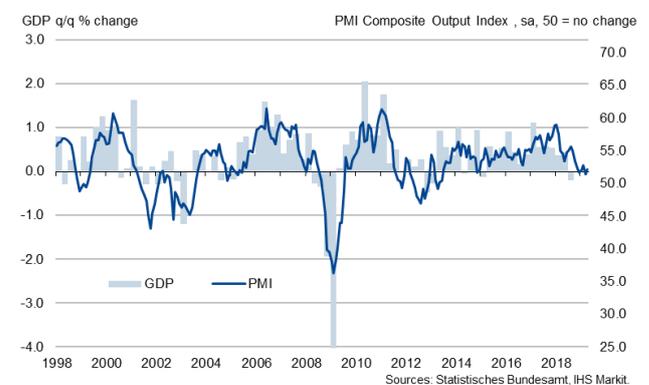
Despite improving slightly, growth of Germany's private sector economy remained subdued at the start of the second quarter of the year, weighed down by an export-led contraction in goods production. The service sector, on the other hand, remained resilient, recording strong growth in both business activity and employment.

The **IHS Markit Flash Germany Composite Output Index** ticked up from a 69-month low of 51.4 in March to 52.1 in April. That said, the index remained below its long-run average of 53.4.

Growth of service sector business activity was strong in April, having accelerated for the fourth month in a row to the quickest since September last year. Manufacturing output, however, fell markedly and for the third month in a row, albeit with the rate of contraction easing since March.

Trends in new business followed a similar pattern, with a strong and accelerated rise in new work at service providers contrasting with a further steep (albeit slightly slower) decrease in manufacturing order books. With the rate of decline in manufacturing new orders being much steeper than of factory output, it meant that **overall inflows of**

IHS Markit Germany Flash PMI



new business fell slightly and for a fourth straight month.

The drop in manufacturing order books in April was led by a further steep decline in new export orders, which fell at the second-fastest rate in the past ten years. Anecdotal evidence highlighted weak demand across the automotive sector in particular, whilst also suggesting some hesitancy among UK-based clients. Inflows of new work from abroad also fell across the service sector. Moreover, with the rate of decline accelerating since March, it meant that **overall new export business** posted the steepest decline since comparable data covering both manufacturing and services were first available in September 2014.

Latest data also indicated a steeper fall in **backlogs of work** in April – the most marked since June 2013. Outstanding business in the service sector rose only slightly and at the slowest rate in three months, while work-in-hand at manufacturers showed the steepest contraction for almost a decade.

Driven by a pick-up in job creation across the

service sector, April saw the rate of **employment growth** in Germany's private sector regain some momentum after having eased to a 27-month low in March. Staffing numbers in the manufacturing sector were meanwhile unchanged following the first monthly decrease in three years at the end of the opening quarter.

Business confidence towards the year-ahead outlook for output weakened in April, with the overall degree of optimism only slightly above last December's 50-month low. Though remaining strongly positive overall, sentiment in the service sector eased to the weakest since January, while manufacturers were their most pessimistic since November 2012.

Elsewhere, latest data showed a slight slowdown in the rate of inflation in **average prices charged for goods and services** to a 21-month low. There were slower increases in both monitored sectors, though the latest rise in service sector output charges was still sharp overall and among the fastest seen since the series began in 1997.

Input price inflation meanwhile ticked up, rebounding from a 29-month low in March thanks to a broad-based increase in cost pressures. That said, the latest rise in manufacturing purchase prices was still the second-weakest seen in over two-and-a-half years. This compared with a steep increase in operating expenses across the service sector that was linked in large part to rising wages.

Finally, April data indicated the most marked improvement in **supplier delivery times** faced by German manufacturers since May 2009. Despite this, and a faster fall in stocks of purchases, the **IHS Markit Flash Germany Manufacturing PMI** ticked up to 44.5 from an 80-month low of 44.1 in March.

Comment

Commenting on the flash PMI data, **Phil Smith**, Principal Economist at IHS Markit said:

"The overall picture for Germany's private sector has changed very little according to April's flash data, with strong growth across the services economy continuing to counteract the export-led weakness in manufacturing. Though the PMI has ticked up from March's 69-month low, it's merely signalling the same modest rate of underlying growth as seen on average over the opening quarter of the year.

"Slight upticks in the manufacturing indices for output, new orders and employment saw the headline Manufacturing PMI post its first rise in nine months, albeit with the latest reading nonetheless the second-lowest since mid-2012. Amid reports of a declining car industry, strong competition across Europe and generally subdued global demand, the data showed another steep drop in German goods exports and the lowest confidence among manufacturers for six-and-a-half years.

"The survey continues to highlight strong job creation across the service sector, which is in turn supporting wage growth and means we should see consumer demand continue to rise during the second quarter."

-Ends-

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Note to Editors:

Final April data are published on 2 May for manufacturing and 6 May for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by IHS Markit 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
Germany Composite Output Index ¹	0.0	0.4
Germany Manufacturing <i>PMI</i> ³	0.0	0.3
Germany 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.

IHS Markit 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 IHS Markit. 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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