

MARKET SENSITIVE INFORMATION

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S&P Global Flash Germany PMI®

Activity continues to rise in May amid strong services rebound, but signs of uncertainty, price pressures and supply issues impacting demand

Key findings:

Flash Germany PMI Composite Output Index⁽¹⁾ at 54.6 (Apr: 54.3). 2-month high.

Flash Germany Services PMI Activity Index⁽²⁾ at 56.3 (Apr: 57.6). 2-month low.

Flash Germany Manufacturing Output Index⁽⁴⁾ at 51.0 (Apr: 47.7). 2-month high.

Flash Germany Manufacturing PMI⁽³⁾ at 54.7 (Apr: 54.6). 2-month high.

Data were collected 12-20 May

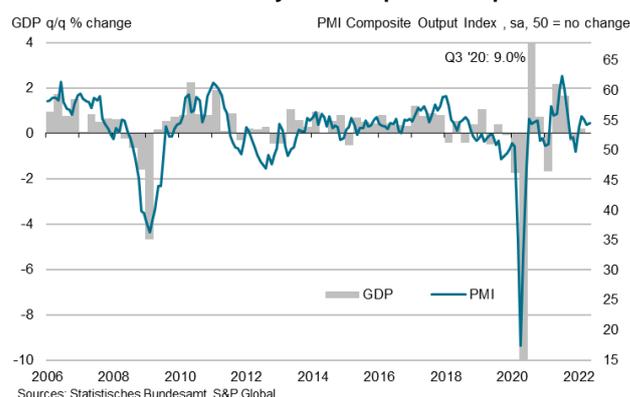
Latest 'flash' PMI® data from S&P Global pointed to continued growth in business activity across the German economy in May, led by a strong post-lockdown recovery across the country's service sector. However, there were signs of demand starting to come under pressure from market uncertainty, rising prices and supply issues, with manufacturers reporting the steepest drop in new orders for almost two years. Inflationary pressures remained elevated, although rates of both input cost and output price inflation ticked down slightly from April's record highs.

The headline **S&P Global Flash Germany PMI Composite Output Index** came in at 54.6 in May, marking a slight improvement from April's 54.3. The latest reading was above the 50.0 threshold that separates growth from contraction for the fifth consecutive month amid a sustained strong rebound in service sector business activity (index at 56.3). Manufacturing output also increased, albeit only slightly (index at 51.0), following a decline at the start of the second quarter.

Although overall inflows of **new business** continued to rise in May, growth slowed to the weakest in the current five-month sequence and was confined to the service sector. Manufacturing new orders fell for the second month running and at the quickest rate since June 2020, with surveyed businesses indicating that uncertainty among clients, strong price pressures, supply disruption and COVID-related lockdowns in China had each weighed on demand for goods. Manufacturers faced a particularly steep decline in **new export orders**, which contrasted with a slight uptick in new business received from abroad across the service sector.

Manufacturing output levels were supported in May by

S&P Global Flash Germany PMI Composite Output Index



work on outstanding business (i.e. orders received but not yet completed). However, owing to the slowdown in inflows of new orders, the amount of **work-in-hand** at factories showed the slowest rise since July 2020. It was a different picture for the service sector, where a combination of recovering demand and supply-side constraints led to a sharp and accelerated rise in outstanding business that was the quickest since February 2011.

German businesses generally remained in hiring mode in May as they looked to address some of their capacity constraints, with data indicating a seventeenth straight monthly rise in private sector **employment**. Moreover, the rate of job creation accelerated to the fastest since August last year, with quicker increases in staffing numbers seen across both monitored sectors.

Turning to **prices**, May's flash data pointed to the continuation of historically sharp inflationary pressures across the German economy, with businesses once again hiking their charges for goods and services as they looked to offset the higher cost of energy, fuel, raw materials and personnel. The overall rates of increase in both input costs and output prices eased slightly from April's record highs, although they were still faster than at any other time in the series history.

A softening of the rate of manufacturing input price inflation in May – down to a three-month low – coincided with signs of a slight easing of **supply chain delays**, albeit with the incidence of longer lead times on inputs remaining historically elevated. Goods producers reported another

PMI®

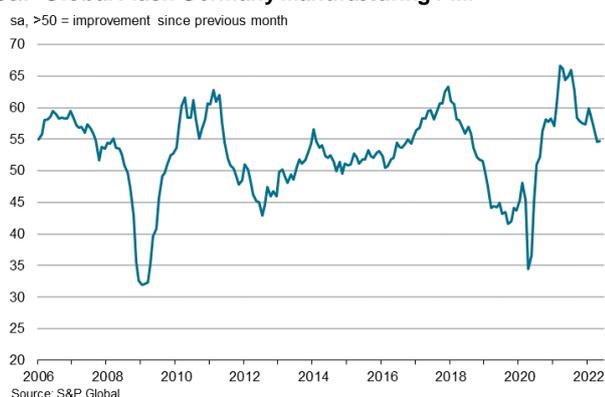
by S&P Global

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strong (and slightly accelerated) rise in **inventories** of raw materials and components, reflecting a combination of efforts by some to build up safety stocks and difficulties completing orders due to missing parts.

Business confidence towards the year-ahead outlook for activity remained relatively subdued in May. Expectations ticked up slightly from April, owing to slightly stronger optimism among services firms, though they were still the second-lowest in the past two years as businesses continued to voice concerns over rising prices, supply bottlenecks and heightened uncertainty. This was especially the case in manufacturing, where expectations turned increasingly pessimistic.

S&P Global Flash Germany Manufacturing PMI



Commenting on the flash PMI data, **Phil Smith**, Economics Associate Director at S&P Global Market Intelligence said:

“A post-lockdown recovery in services activity continues to provide a strong tailwind for the German economy, with May’s ‘flash’ PMI data signalling that output levels remain in growth territory.

“Even manufacturing saw a slightly better performance in terms of production levels in May. However, goods producers are increasingly turning to backlogs of work to support output as new orders show a sustained decline, boding ill for growth prospects in the sector if demand for goods continues to falter.

“Business confidence towards the outlook remains subdued, with heightened uncertainty, sharply rising prices and supply chain disruption all starting to impact demand and representing risks to the outlook in the goods-producing sector in particular.

“Although the survey’s gauges of business costs and output prices ticked down from April’s record highs, they remained historically elevated and pointed to acute inflationary pressures across the economy, with the high cost of transportation, energy and commodities in general continuing to work their way through supply chains.”

-Ends-

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Note to Editors

Final May data are published on 1 June for manufacturing and 3 June for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by S&P Global 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
Composite Output Index ¹	0.0	0.4
Manufacturing PMI ²	0.0	0.3
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.

S&P Global 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 S&P Global. 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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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 <https://ihsmarkit.com/products/pmi.html>.

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