

IHS Markit / BME Germany Manufacturing PMI®

New order growth hits six-month high in February, but output constrained by COVID-related absences

Key findings

Sharp rise in backlogs as growth in new orders outstrips output

Factory cost inflation slips further from recent highs

Lowest incidence of supply delays since November 2020

Data were collected 10-21 February 2022.

A steep rise in new orders drove a sustained expansion of Germany's manufacturing sector in February, latest PMI® survey data showed. Growth of output remained strong but was constrained somewhat by a temporary decline in staff availability owing to COVID-related absences.

Elsewhere, there were further promising signs on the supply-side in February, as the incidence of delays in the receipt of inputs fell to the lowest since November 2020. This was in turn reflected in a further moderation in factory cost inflation from the record highs in the second half of last year.

The headline IHS Markit/BME Germany Manufacturing PMI® – a weighted aggregate of measures of new orders, output, employment, suppliers' delivery times and stock of purchases – registered 58.4 in February. This was firmly above the 50.0 mark separating growth from contraction, but down slightly from January's five-month high of 59.8. Four of the five sub-components impacted a negative directional influence. The only exception was new orders, the rate of growth of which accelerated for the second month in a row to the highest since last August. As well as signalling stronger domestic demand, the survey also showed a sustained upturn in new export orders, which rose to the greatest extent for six months amid reports of sales growth across the US, Italy and other parts of southern Europe.

February also saw a further robust increase in production across Germany's manufacturing sector. But in contrast to new orders, the rate of output growth slowed since February, with a number of surveyed firms indicating that staff absences linked to COVID had weighed on capacity during the month.

With the rate of expansion in new orders outstripping that of production, February saw a sharp and accelerated increase in backlogs of work – the most marked for four months. Stocks of

Germany Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Phil Smith, Associate Economics Director at IHS Markit, said:

"Underlying demand for German manufactured goods was strong in February, with new order growth accelerating and the survey showing rising sales both domestically and internationally.

"Production continued to rise, but staff absences linked to the Omicron wave of the pandemic were a constraint on output and added to already stretched capacity, thereby contributing to a sharp rise in backlogs of work. However, with COVID cases in the country looking like they might have already peaked, this particular headwind will hopefully be only temporary. Furthermore, the pace of factory job creation remained rapid as manufacturers looked to address capacity shortfalls.

"Supply constraints showed further tentative signs of easing in February, and one of the positives from this was a fall in the rate of input cost inflation to an 11-month low.

"When the survey was conducted, firms were hopeful of further progress in the supply situation and were highly optimistic about the outlook. With the escalation of the situation in Ukraine since February's survey, and the surge in oil and gas prices that's come with it, downside risks to the sector's performance in 2022 have increased."

finished goods were meanwhile depleted slightly, ending a three-month sequence of accumulation.

Pre-production inventories, on the other hand, continued to rise, as manufacturers maintained their recent efforts to build up buffer stocks of inputs and mitigate the risks of supply delays. This was reflected in a further steep increase in purchasing activity during the month. The latest rise in stocks of purchases was the weakest for four months, however.

Supply chains remained stretched in February, with surveyed firms reporting longer lead times on inputs due to shortages of materials and components in the market, as well as pressure on transport capacity. That said, the incidence of delays fell for the eighth time in the past nine months to the lowest overall since November 2020.

The further easing of supply bottlenecks coincided with a sustained slowdown in the rate of input price inflation faced by manufacturers. Although still elevated by historical standards, the rate of increase in input prices was at an 11-month low in February. Materials – particularly metals and plastics – energy and transportation were cited by surveyed businesses as sources of cost pressure.

Average prices charged by goods producers continued to rise sharply midway through the first quarter. The rate of inflation ticked down slightly but was still among the quickest in the series history (since September 2002 for this series)

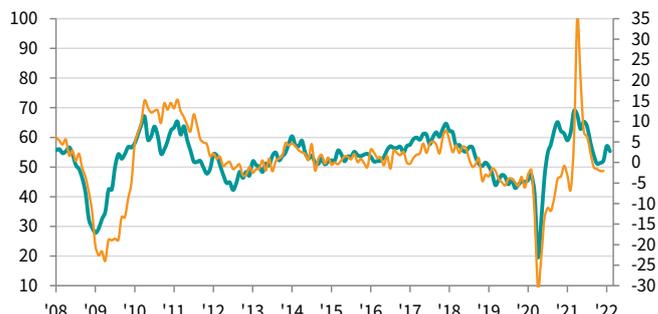
Manufacturers reported strong optimism towards the outlook, and as such continued to expand workforce numbers at a rapid pace. Expectations did, however, fall slightly and for the first time in four months, with concerns towards the Russia-Ukraine tensions being a factor.

Germany Manufacturing PMI Output Index

sa, >50 = growth since previous month

Manufacturing production

cal. adj., %yr/yr



Sources: IHS Markit, Federal Statistical Office.

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Survey 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 10-21 February 2022.

Survey data were first collected April 1996.

Flash vs. final data

Flash data were calculated from 91% 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.

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