

MARKET SENSITIVE INFORMATION

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S&P Global Flash Germany PMI®

German business activity returns to growth, buoyed in part by rapidly easing supply bottlenecks

Key findings:

Flash Germany PMI Composite Output Index⁽¹⁾ at 51.1 (Jan: 49.9). 8-month high.

Flash Germany Services PMI Activity Index⁽²⁾ at 51.3 (Jan: 50.7). 8-month high.

Flash Germany Manufacturing Output Index⁽⁴⁾ at 50.6 (Jan: 48.4). 9-month high.

Flash Germany Manufacturing PMI⁽³⁾ at 46.5 (Jan: 47.3). 3-month low.

Data were collected 10-17 February

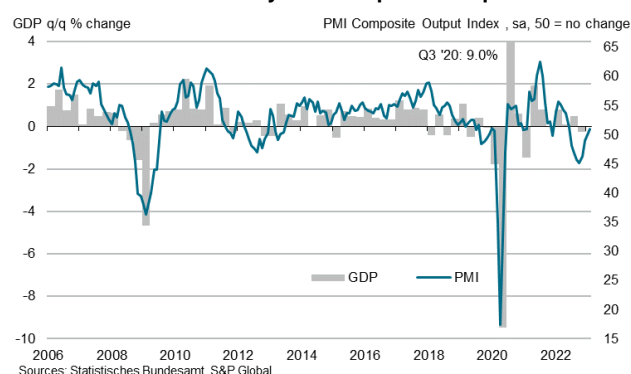
February saw the German private sector economy return to growth amid signs of reduced strain on demand and a rapid easing of supply-side constraints on output, latest 'flash' PMI® data from S&P Global showed. The alleviation of supply bottlenecks was reflected in the first drop in manufacturing purchasing costs for almost two-and-a-half years, although overall rates of input price and output charge inflation nevertheless remained elevated.

The headline **S&P Global Flash Germany PMI Composite Output Index** registered 51.1 in February, up from 49.9 in January. It marked the first time in eight months that the index has posted above the 50.0 threshold that separates growth from contraction, albeit indicating only a modest rate of expansion.

Underlying data showed slight increases in activity across both the manufacturing and service sectors. In the case of the former, production levels rose for the first time in nine months amid widespread reports of improved material availability. In fact, lead times on manufacturing inputs shortened to the greatest extent on record in February. Services activity meanwhile grew for the second month running and at a slightly accelerated rate, with a number of surveyed service-sector businesses commenting on an improvement in underlying demand.

February saw a modest rise in **inflows of new work** at service providers, thereby ending an eight-month sequence of decline. By contrast, manufacturers noted a continued downturn in new orders, led by a sustained sharp drop in export sales. That said, the overall rate of decline in manufacturing new orders eased for the fourth month in a row and was the weakest since May last year.

S&P Global Flash Germany PMI Composite Output Index



The considerable easing of supply-chain pressures in February coincided with a reduction in average **input costs** faced by goods producers. It marked the first time in nearly two-and-a-half years that a decrease in manufacturing purchase prices has been recorded and highlighted a turnaround from the rapid rate of cost inflation recorded a year earlier. Service sector input prices, on the other hand, continued to rise sharply, and even at a slightly quicker rate than in January, driven in large part by higher wages. Measured across the two sectors, input cost inflation remained above its historical series average but eased to a two-year low.

Despite seeing purchasing costs fall, German manufacturers maintained a preference for higher **output charges**. The rate of factory gate price inflation remained historically elevated, although it eased to the weakest since February 2021. Charges set by services firms likewise rose steeply but at a slower pace, causing the overall rate of output price inflation to tick down to a 21-month low but leaving it firmly above its long-run average.

Notably, manufacturers reported a first reduction in **stocks of purchases** for nearly one-and-a-half years in February. Together with the shortening of supplier delivery times, this led to downward pressure on the headline manufacturing PMI, which dipped to a three-month low of 46.5 despite the return to growth in output.

February's flash data meanwhile indicated a further rise in private sector **employment**. That said, the rate of job creation was the joint-weakest over the past two years.

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That was despite a slight uptick in manufacturing workforce growth from January's 23-month low.

In terms of the year-ahead outlook, February data indicated a marginal improvement in firms' **expectations for future output**. Business confidence strengthened across both monitored sectors to register at its highest overall level since just before Russia's invasion of Ukraine. In the case of manufacturing, however, sentiment remained weaker than the historical series average (since July 2012).

S&P Global Flash Germany Manufacturing PMI

sa, >50 = improvement since previous month



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

“February’s flash PMI survey showed the German private sector economy return to growth territory for the first time eight months, alongside continued resilience in the labour market and a further slight recovery in business confidence.

“Encouragingly, the increase in business activity was broad-based by sector. However, whereas the upturn in services activity was at least partly demand-related, higher manufacturing output owed almost exclusively to a substantial easing of supply-chain bottlenecks, which merely allowed goods producers to catch up on backlogs of work. With manufacturing new orders still in contraction territory, goods producers remain only cautiously optimistic about the year-ahead outlook, and they will likely need to see demand revive for that to change.

“The cooling of demand in the goods-producing sector and subsequent easing of supply-chain pressures has seen factory input costs start to fall. Still, like their service sector counterparts who once again highlighted particularly strong wage demands, manufacturers continued to raise their output prices at a robust rate during February, signalling that core inflationary pressures remain elevated. However, the rate of increase in average prices charged for goods and services continued to slow, down to its lowest since May 2021.”

-Ends-

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Note to Editors

Final February data are published on 1 March for manufacturing and 3 March 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 <i>PMI</i> 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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