

# News Release

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## S&P Global / BME Germany Manufacturing PMI®

### PMI slips into contraction territory for first time in over two years as downturn in new orders deepens

#### Key findings

Sharp fall in new orders weighs on factory production

Firms growing increasingly pessimistic about the outlook

Output price inflation retreats to 15-month low

July saw Germany's headline Manufacturing PMI® slip into contraction territory for the first time in over two years, led by a deepening downturn in new orders across the sector. Factory production levels likewise showed a sustained decline, whilst goods producers pared back their purchasing activity for the first time since mid-2020 amid a rapid build-up of inventories and a deteriorating outlook.

The fall in demand for inputs was reflected in an easing of supply chain pressures and a further softening of the rate of cost inflation. Combined with generally weaker demand for manufactured goods, this led the rate of increase in factory gate prices to slow to a 15-month low.

The headline seasonally adjusted S&P Global / BME Germany Manufacturing Purchasing Managers' Index® (PMI®) – a single-figure measure of sector performance derived from measures of new orders, output, employment, suppliers' delivery times and stocks of purchases – registered 49.3 in July, down from 52.0 the month before and below the 50.0 no-change threshold for the first time since June 2020.

The principal drag on the sector's performance came from a deepening decline in new orders, which registered the steepest contraction since May 2020. July's survey indicated a multitude of headwinds to demand, from heightened uncertainty and an associated reduction in investment spending, to elevated prices, high stock levels at customers and continued to supply-chain frictions. New export orders held up slightly better than total sales, though even here the rate of decline quickened to the fastest for over two years.

Production levels across Germany's manufacturing sector were impacted as a result, falling for the third time in the past four months in July. Although the rate of decline in output was the fastest since May 2020, it was still notably slower than that of new orders as production was supported to some degree by work on order backlogs.

At the same time, German manufacturers reported another robust increase in stocks of finished goods in July. Pre-production inventories also rose sharply during the month, with

Germany Manufacturing PMI  
sa, >50 = growth since previous month



Source: S&P Global.  
Data were collected 12-22 July 2022.

#### Comment

Phil Smith, Economics Associate Director at S&P Global Market Intelligence, said:

*"The fall in the headline Manufacturing PMI into contraction territory in July doesn't come as a surprise, with underlying data having flashed warning signals for several months now. The survey's measure of new orders has been in sub-50 contraction territory since April, and worryingly it continues to trend downwards as demand for goods recedes further from the highs seen last year, strained by the uncertain economic outlook and the high inflation environment."*

*"Although some components remain in short supply, another sharp rise in overall stocks of inputs held by manufacturers in July suggests that surpluses might be building up in other areas, and indeed we've now started to see manufacturers paring back their purchasing activity for the first time in two years."*

*"A fall in overall demand for inputs contributed to a further softening of inflationary pressures across the manufacturing sector, although even with this slowdown price increases remained high by historical standards."*

*"The potential for a shortage in gas supplies has German manufacturers seriously worried about the outlook for production in the coming year. Goods producers' expectations turned negative back in March, and have deteriorated in almost every month since then as downside risks to the sector's outlook continue to build."*

the rate of accumulation having quickened to the second-fastest on record behind that seen last December. Goods producers scaled back their buying levels accordingly in July, the first time this has been the case for two years.

Although material shortages and transport capacity constraints continued to be widely reported, there were signs of supply chain pressures easing as demand for inputs declined. The incidence of delivery delays was indeed the lowest since October 2020 at the start of the third quarter, albeit still historically elevated.

Similarly, while still high overall, the rate of input cost inflation across the manufacturing sector cooled for the third month running to the lowest since February 2021. As such, the rate of increase in factory gate prices likewise slowed notably in July, down to its lowest since April 2021.

Looking ahead, manufacturers expressed pessimism towards the outlook for output over the next 12 months, citing concerns over high inflation, waning demand, continued supply chain disruption, a potential energy crisis and the prospect of recession. Expectations turned increasingly negative and were lowest overall since May 2020.

Despite the gloomy forecasts for the year ahead, employment levels at manufacturers continued to rise during July as open positions were filled. The rate of job creation did, however, slow to a four-month low.



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### Survey methodology

The S&P Global Germany Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 420 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 1996.

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](mailto:economics@ihsmarkit.com).

### Flash vs. final data

Flash data were calculated from 95% 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](https://ihsmarkit.com/products/pmi.html).

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