

**Purchasing Managers' Index®**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Flash Germany PMI®

### German private sector output grows at fastest pace in over six years

#### Key findings:

- Flash Germany PMI Composite Output Index<sup>(1)</sup> at 57.3 (56.7 in April). 73-month high.
- Flash Germany Services PMI Activity Index<sup>(2)</sup> at 55.2 (55.4 in April). 3-month low.
- Flash Germany Manufacturing PMI<sup>(3)</sup> at 59.4 (58.2 in April). 73-month high.
- Flash Germany Manufacturing Output Index<sup>(4)</sup> at 61.1 (59.2 in April). 73-month high.

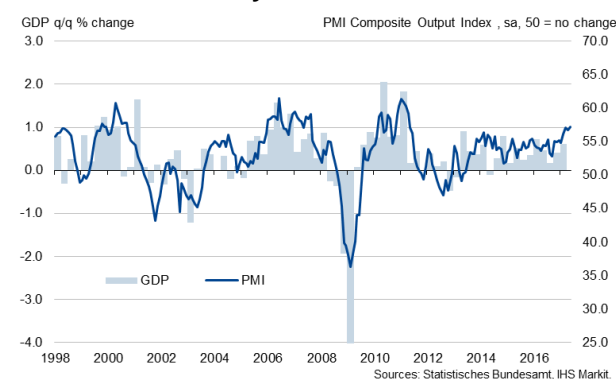
Data collected May 12-22

Private sector output in Germany expanded at the sharpest rate in over six years in May, according to flash *PMI*® survey data from IHS Markit. The pace of expansion accelerated for the third time in four months to a 73-month record, reflecting the sharpest increase in manufacturing output since April 2011. Meanwhile, growth of business activity in the service sector eased to a three-month low but remained stronger than the average registered for the first quarter of 2017. Cost pressures moderated but remained marked overall, driving one of the fastest increases in output prices in the past six years.

The **IHS Markit Flash Germany Composite Output Index** registered 57.3 in May, up from April's 56.7 and signalling the fastest rate of expansion since April 2011. Output has risen continuously since May 2013, the second-longest sequence of growth since the series started in January 1998.

Sector data signalled ongoing strong growth across both services and manufacturing, notably so in the latter. **Service** sector activity growth eased slightly to a three-month low, but this was more than offset by the fastest gain in **manufacturing** production since April 2011. Growth of goods output has accelerated five times in the past six months.

#### IHS Markit Germany Flash PMI



New business growth strengthened slightly in May. Intakes of new work rose at the third-fastest rate over the past six years, with manufacturers continuing to see sharper growth of new orders than their service sector counterparts. **New export orders** at goods producers rose at the sharpest rate in seven years.

In the goods-producing sector, faster growth of both output and new orders were reflected in a rise in the **IHS Markit Flash Germany Manufacturing PMI** to 59.4, from 58.2 in April. This signalled the strongest overall performance of the sector since April 2011.

Private sector firms in Germany continued to expand their **workforces** at a historically sharp rate in May. The pace of job creation was the second-fastest in nearly six years, just below March's six-year record. The rate of workforce expansion hit a six-year high in manufacturing, but eased to a four-month low in services.

May survey data indicated growing pressure on German manufacturing capacity, as **suppliers' delivery times** continued to lengthen substantially and **backlogs of work** rose at the fastest rate in over six years. In contrast, the level of **outstanding**

**business** at service providers fell for the second month running. Overall, backlogs across the private sector increased for the twelfth successive month, and at a faster pace than in April.

**Cost pressures** remained strong in May, despite a further easing in the rate of inflation since March. Average input prices increased at the slowest pace in five months, partly reflecting the stronger euro-dollar exchange rate, albeit one that remained greater than the long-run series trend level. Manufacturing input price inflation weakened noticeably to a six-month low but remained sharp overall amid further reports of raw material shortages and higher steel prices, while the rate at which service providers' input costs rose remained comparatively weaker.

The rate of **output price inflation** in the German private sector economy accelerated for the third time in four months in May, and was the third-highest in nearly six years. This reflected the trend in the service sector, as factory gate prices increased at the slowest rate in four months.

**Output expectations** remained strong in May. The degree of positive sentiment moderated to a four-month low, but was nonetheless unsurpassed in any other period since the composite expectations series began in July 2012. Manufacturers remained more optimistic regarding expected output growth than service providers.

## Comment

Commenting on the flash PMI data, **Trevor Balchin**, Senior Economist at IHS Markit said:

*"The flash PMI data for May signalled no let-up in German economic growth, with the headline output index reaching its highest level in over six years. The index has trended at 57.0 over April-May, pointing to the strongest quarterly expansion since Q2 2011. Manufacturing continued its impressive performance with output, new orders and backlogs all growing at the sharpest rates in over six years, and export expansion hitting a seven-year record. Cost pressures at manufacturers also eased noticeably in May, but remained strong overall."*

*"The only blot on Germany's copybook in May was a further solid but unspectacular rise in service sector new business, reflected in another decline in the volume of outstanding work in the sector."*

*"As signalled by the PMI, German economic growth accelerated in the first quarter to 0.6% on a quarter-on-quarter basis, from 0.4% in Q4 2016. Moreover, PMI data for the first two months of the second quarter are signalling continued positive momentum. This supports IHS Markit's view of growth in the coming quarters remaining strong at around 0.6% on average, and our full-year forecast for 2017 has been raised to 2.0% in calendar-adjusted terms."*

-Ends-

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## Note to Editors:

Final May data are published on June 1 for manufacturing and June 5 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 1000 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 <sup>1</sup>	-0.1	0.4
Germany Manufacturing PMI <sup>3</sup>	0.0	0.3
Germany Services Business Activity Index <sup>2</sup>	-0.1	0.6

The *Purchasing Managers' Index*<sup>®</sup> (PMI<sup>®</sup>) 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<sup>®</sup> 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](mailto: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?"

### About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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### About PMI

Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) surveys are now available for over 30 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 <http://www.markit.com/product/pmi>.

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