

Germany

Recession likely to deepen amid severe weakness in manufacturing sector

Key findings

- **PMI data point to a steeper contraction of German GDP during Q4 2008.**
- **Downturn led by rapid decline in manufacturing output.**

Germany likely to remain in recession in Q4

November's flash Purchasing Managers' Index (PMI) data compiled by Markit indicated that the recession in Germany deepened mid-way through the fourth quarter. The headline flash PMI Output Index posted 40.7, down from 45.3 in the previous month and the lowest reading since the series began in January 1998.

Chart 1 illustrates that the PMI Output Index is flagging up a further marked contraction of GDP in Q4, with PMI data suggesting around a 1% quarter-on-quarter fall in economic output. Moreover, PMI data for the first two months of Q4 2008 are indicative of a faster decline in GDP than that seen in Q3, when official figures showed that Germany had entered a recession.

Severe weakness in manufacturing sector

The latest release of PMI data showed that output in the manufacturing sector fell at a much faster pace than in the service economy. Chart 2 illustrates that the downturn in German private sector activity during Q4 so far has been led by a severe contraction of manufacturing production. Moreover, November PMI data suggested the fastest drop in industrial output since 1993 (see IP note on 24/11/2008). Meanwhile, service providers also recorded a drop in activity during October and November, with the average reading for Q4 2008 so far the lowest for five-and-a-half years.

The next release of PMI data will be the 'final' manufacturing figures for November, which are released on the 1st December 2008. 'Final' services PMI data are released on 3rd December 2008.

Chart 1. Germany GDP, quarter-on-quarter

Note: includes PMI figures for Q4, which are October and November data only

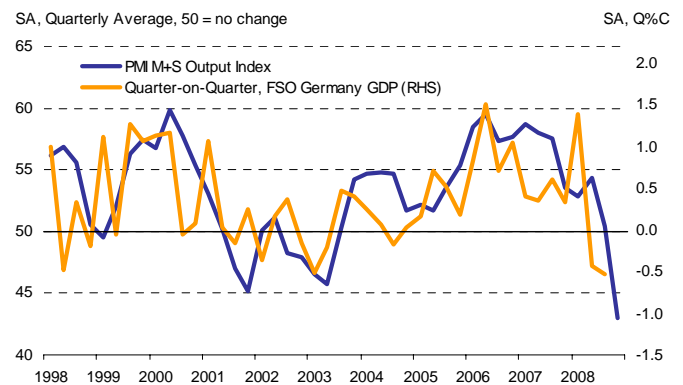
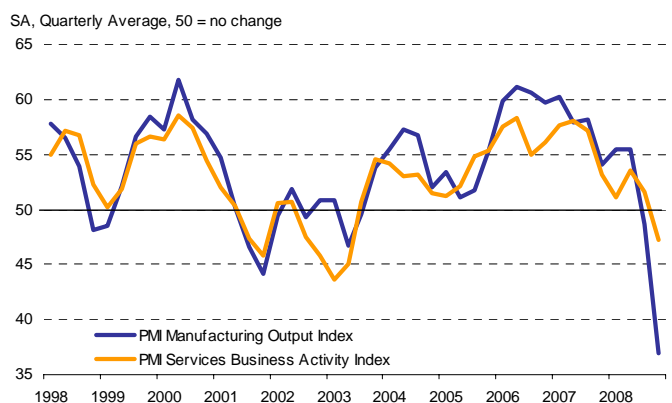


Chart 2. PMI Output Index, by sector

Note: includes PMI figures for Q4, which are October and November data only



Sources: Markit Economics, Reuters EcoWin.

To find out how to receive data for the German PMI, please contact economics@markit.com.

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