

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit Germany Retail PMI®

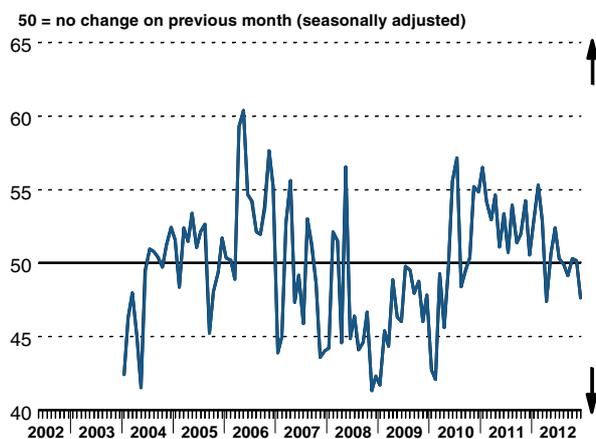
Retail PMI hits lowest level for eight months in December

Key points:

- Moderate reduction in sales since the previous month
- Actual sales fall short initial expectations for December
- Job creation was maintained

Data collected from 5 -17 December 2012

Historical overview:



This press release contains the December findings from the monthly Retail *PMI*® survey for Germany, produced by Markit and based on a panel of 400 retailers. The headline figure from the report is the Retail PMI, which measures month-on-month changes in sales.

Sales fall on a month-on-month basis for first time since September...

The seasonally adjusted Germany Retail *PMI* dropped to 47.6 during December, from 50.2 in November, signalling a moderate month-on-month contraction in like-for-like sales. December's index reading was below the long-run series average (49.8) and pointed to the sharpest pace of

contraction for eight months. Reports from retailers in Germany suggested that strong competition, unfavourable weather conditions and unexpectedly low consumer footfall had all contributed to lower sales.

...but remain higher than one year earlier

December data indicated that like-for-like sales remained higher on an annual basis. Around 39% of retailers reported an increase in sales compared to December 2011, against 33% that reported a decline. The year-on-year rate of sales growth was unchanged from November.

December sales disappoint compared to targets

German retailers signalled that actual sales at their stores fell short of prior expectations in December, continuing the trend of weaker than expected sales for the ninth month running. Moreover, the degree to which sales failed to reach initial targets was the most marked for any December since that recorded in 2009. Meanwhile, expectations for sales in the month ahead were the weakest since December 2009, with some retailers suggesting that earlier than planned promotional discounting will have a negative influence on like-for-like sales in January.

Margins squeezed again

Operating margins in the German retail sector declined again in December, thereby extending the current period of contraction to 25 months. Anecdotal evidence suggested that lower margins reflected strong competition and a sharp rise in average cost burdens during the month.

Strong rise in wholesale prices

In line with the trend seen over the past three years, wholesale prices in the German retail sale sector rose during December. Although still sharp, the rate of cost inflation eased for the second

month running to the least marked since September. Meanwhile, latest data indicated that the value of goods ordered for resale by German retailers decreased for the third time in the past four months.

Staffing levels continue to rise

Latest data pointed to a marginal rise in employment numbers. Higher staffing levels have now been recorded for 31 consecutive months, but the latest expansion was slightly weaker than the average recorded for 2012 overall.

Comment:

Commenting on the Markit Germany Retail PMI[®] survey data, **Tim Moore, senior economist at Markit** said:

“Germany’s Retail PMI data for December suggest a difficult run-up to Christmas for the sector, with monthly sales falling on a seasonally adjusted basis for the first time since September. While sales were reported as higher than the same period in 2011, the lack of underlying momentum heading into the New Year is the main feature of the latest survey. Margins have therefore been squeezed to boost sales volumes, while job creation eased amid signs that retailers are looking to mitigate strong rises in their cost burdens.”

-Ends-

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Notes to Editors:

“PMI[®]” is an acronym for *Purchasing Managers’ Index*[®], a type of survey originally developed for tracking business conditions in the manufacturing sector. Markit now uses ‘PMI’ to describe the methodology used for surveys also undertaken in the services, construction and retail sectors.

The success of the PMI surveys lies in their ability to provide a rapid and reliable guide to what is really happening in the economy from month-to-month.

For the Germany Retail PMI, Markit Economics has recruited a representative panel of retail companies. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the German retail sector. Similarly, the composition of the panel in geographical terms and by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation.

Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month.

The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure "diffusion index" for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company.

Where appropriate the indices are seasonally adjusted to take into consideration expected variations for the time of year. 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 Markit. Please contact economics@markit.com.

The use of the diffusion index methodology means that the results for the Retail PMI will be directly comparable with PMIs for other sectors, such as manufacturing, services and construction.

About Markit

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com.

About PMIs

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 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 www.markit.com/economics.

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