

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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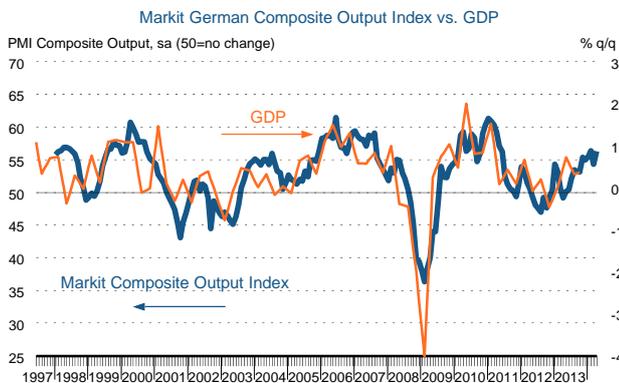
Markit Flash Germany PMI[®]

Economic upturn in Germany's private sector accelerates in April

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 56.3 (54.3 in March), 2-month high.
- Flash Germany Services Activity Index⁽²⁾ at 55.0 (53.0 in March), 2-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 54.2 (53.7 in March), 2-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 58.8 (57.0 in March), 3-month high.

Historical overview:



Summary:

German private sector companies reported solid activity growth at the start of the second quarter, as highlighted by the **Markit Flash Germany Composite Output Index** rising from 54.3 in March to 56.3. The latest reading was the second-highest in nearly three years and stretched the current period of growth to 12 months. Survey participants commented that an improved economic environment and increased order intakes were the main contributors to the latest expansion.

The acceleration in output growth was broad-based by sector with both **manufacturers** and **service providers** signalling sharper expansions. Goods producers reported the quickest rise in output for three months (and the second sharpest since mid-2010), while growth in the service sector reached a

two-month high.

Growth in **new business** also picked up in April to an above average pace amid reports of increased domestic and foreign demand plus a general improvement in economic conditions. Despite easing to a five-month low, new work placed at goods producers increased at a marked pace and service providers reported the fastest rise in order intakes since November last year.

In the goods producing sector, **new export work** continued to increase, with companies mentioning Asia, Europe and the US as sources of growth. The net rise was slightly sharper than in March.

Increased business requirements was one of the main reasons encouraging German private sector companies to hire additional workers during April. The rate of **job creation** accelerated since the previous month and was down only marginally from February's 25-month high. Concurrently, **backlogs of work** were broadly unchanged, having fallen in March.

Input costs were unchanged in April, ending a nine-month period of rising prices. Cost inflation at service providers eased to a 44-month low, while manufacturers signalled the sharpest drop in input prices since July last year, commenting on successful price negotiations, lower raw material prices and increased competition among suppliers. Meanwhile, companies lowered their **output charges** fractionally.

With output and new orders rising, German manufacturers increased their **purchasing activity** further, albeit to the weakest extent since last October. Increased demand also led to a reduction in **stocks of finished goods**. The fall in inventories was the most marked in just over a year.

Meanwhile, **business expectations** at service providers remained high. Anecdotal evidence suggested that optimism was linked to improved consumer confidence, increased domestic and foreign demand and the ongoing economic recovery.

Comment:

Oliver Kolodseike, Economist at Markit and author of the Flash Germany PMI®, said:

“April’s flash PMI results signalled a continuation of the strong recovery in Germany’s private sector, suggesting that the economy is set to build on the foundation of last quarter’s solid growth.

“A combination of increased activity, rising new orders and further employment growth across both the manufacturing and service sectors suggest companies will remain in expansion mode during the coming months.

“Price data meanwhile point to an increasing risk of deflationary pressures in the eurozone’s largest economy, with some companies commenting that successful price negotiations, increased competition among suppliers and lower raw material prices had pushed input costs down. Official data showed that inflation in Germany fell to 1.0% in March, the lowest level since mid-2010.”

-Ends-

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Note to Editors:

Final April data are published on 2 May for manufacturing and 6 May for services and composite indicators.

The Germany PMI (Purchasing Managers' Index) is produced by 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 ⁽¹⁾	-0.1	0.4
Germany Manufacturing PMI ⁽³⁾	0.1	0.3
Germany Services Business Activity PMI Index ⁽²⁾	-0.2	0.7

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.

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.

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 Markit

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About PMI

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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