

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0830 (UK Time) 20 June 2013

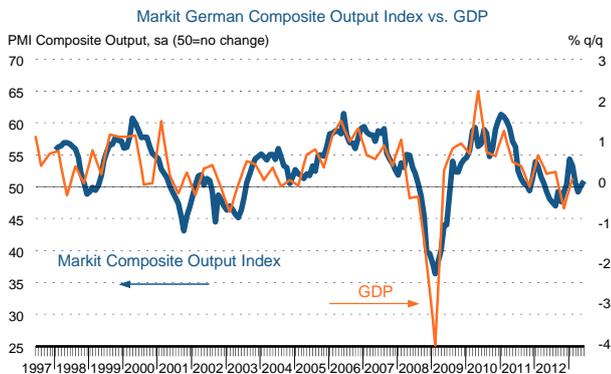
Markit Flash Germany PMI[®]

Slight rise in German private sector output, but accelerated decline in new orders recorded

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 50.9 (50.2 in May), 4-month high.
- Flash Germany Services Activity Index⁽²⁾ at 51.3 (49.7 in May), 4-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 48.7 (49.4 in May), 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 50.1 (51.1 in May), 2-month low.

Historical overview:



Summary:

Marginal growth in output was recorded in the German private sector during June, but latest PMI data pointed to declining new orders and a second successive monthly fall in employment. The seasonally adjusted **Markit Flash Germany Composite Output Index** posted 50.9, up from the reading of 50.2 in May. Overall growth in output was largely reflective of higher activity in the service sector (51.3), while manufacturing production was broadly unchanged (50.1).

In contrast to the expansion of output, **new business** decreased in June amid signs of weakening demand in both domestic and export markets. The rate of decline in new orders was

solid, and slightly faster than in May. Services companies posted a stronger decline than manufacturers, despite goods producers reporting the fastest fall in new export orders of 2013 so far.

A further decline in **backlogs of work** was recorded during the month, although the pace of reduction eased slightly. Both sectors depleted outstanding business in June but, as with new orders, the rate of decline was sharper at service providers.

Falling workloads led companies in Germany to reduce **employment** in June, with staffing levels decreasing for the second successive month. Moreover, both manufacturing and services registered faster rates of job shedding than in the previous month.

Input costs decreased for the third consecutive month, albeit marginally. There was a marked divergence in trends between the two monitored sectors, as manufacturing saw a steep fall in costs, while input prices at service providers increased. Manufacturers indicated that strong competition among suppliers amid weak demand for inputs had been behind the latest drop in costs. Manufacturing **purchasing activity** continued to decrease and suppliers' delivery times shortened again.

German companies raised their **output prices** marginally in June, the second month running in which this has been the case. Inflation was reflective of higher service sector input prices as manufacturing charges fell for the third successive month.

Optimism at services companies was broadly in line with the previous month in June, but remained much weaker than seen earlier in the year.

Comment:

Commenting on the Markit Flash Germany PMI[®] data, **Andrew Harker, Senior Economist at Markit** said:

"The headline PMI signalled growth of German private sector activity in June, adding to signs that the economy stagnated or perhaps even eked out very

modest growth over the second quarter as a whole. However, a look at the other sub-indices paints a worrying picture for the future. The drop off in new business intensified and employment was cut for a second month running as firms worried about the persistent weakness of demand.

“The widespread flooding in recent weeks was not explicitly mentioned by respondents, but the full effects of this might take some time to come through in the data. Looking back to the floods from August 2002, the sharp drop-off in the PMI data was seen in September. The final data for June and July’s flash readings may therefore provide more insight into the full effects of the recent flooding.”

-Ends-

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Note to Editors:

Final June data are published on 1 July for manufacturing and 3 July 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	0.5
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 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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