

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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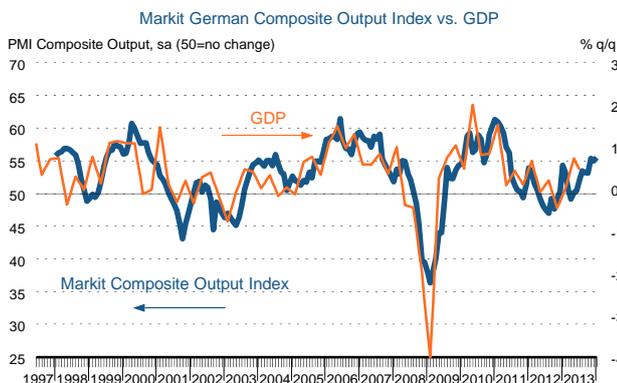
Markit Germany Services PMI[®] – final data (with Composite PMI[®] data)

Slowest rise in service activity for three months at the start of 2014

Key points:

- Final Germany Services Business Activity Index⁽¹⁾ at 53.1 in January, down from 53.5 in December (3-month low).
- Final Germany Composite Output Index⁽²⁾ at 55.5 in January, up from 55.0 in December (31-month high).

Historical overview:



Summary:

Germany's service providers reported a further solid rise in activity at the beginning of 2014, accompanied by a third successive rise in workforce numbers. However, both rates of growth eased since December. Meanwhile, new orders were broadly unchanged in January, while output charge inflation hit a near two-year high.

January saw a further increase in activity at German service sector companies, highlighted by the seasonally adjusted final **Markit Germany Services Business Activity Index** posting 53.1. The latest reading marked the eighth consecutive monthly rise in business activity, although the pace of expansion eased to a three-month low. Sector data suggested that higher output was recorded in five of the six broad areas of the service economy,

with only Hotels & Restaurants companies indicating a marginal decline

The seasonally adjusted final **Markit Germany Composite Output Index** – which measures the combined output of the manufacturing and service sectors – rose from December's 55.0 to 55.5 in January to signal the most marked rise in activity in just over two-and-a-half years. The accelerated increase in overall activity was largely driven by companies in the goods producing sector, as manufacturers saw the largest expansion in output since April 2011. In the German private sector as a whole, order intakes increased for a seventh straight month, although at a slower pace than seen in December. Meanwhile, employment levels rose for a third month in succession, resulting in the longest period of continuous job creation since early 2012.

Despite a solid rise in services business activity, new orders rose only fractionally in the sector during January and at the weakest pace in the current seven-month period of growth.

In line with output growth, service sector workforce numbers increased in January, with companies in the Renting & Business Activities sub-sector reporting the steepest rise in headcounts. Panel members attributed the latest expansion in payroll numbers to increased workloads. Backlogs of work fell for the fourth time in the past five months, signalling evidence of spare capacity in the sector.

Service sector cost burdens increased at the slowest pace in seven months during January. That said, the latest rise in input prices was sharp and broadly in line with the long-run series average.

In response to increased input costs, service providers raised their selling prices, with charge inflation the sharpest in 20 months. A number of companies attributed the latest rise in output prices to increased staff costs.

Encouragingly, German service providers remained optimistic regarding their 12-month business outlook with the level of positive sentiment hitting a 32-month high. Companies linked confidence to improving economic conditions, increased order intakes and planned acquisitions.

Comment:

Commenting on the final Markit Germany *PMI*[®] survey data, **Oliver Kolodseike, economist at Markit** and author of the report said:

“Germany’s private sector retained its solid growth momentum at the start of 2014, with activity expanding at the quickest pace since June 2011. A closer look at the data, however, shows that the latest improvement was largely driven by manufacturers, whereas services output growth eased to a three-month low.

“New order growth in the service sector inched down to a near-stagnant pace in January, with anecdotal evidence suggesting that some clients hesitated to release their budgets on time. Nevertheless, companies felt confident about their business outlook, resulting in further job creation.”

-Ends-

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Notes to Editors:

The Germany Services *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of over 500 companies based in the German service sector. The final Germany Services PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The January flash was based on 74% of the replies used in the final data.

The Germany Composite *PMI*[®] is based on original survey data collected from a representative panel of 1,000 companies based in the German manufacturing and service sectors. The final Germany Composite PMI follows on from the flash estimate which is released a week earlier and is typically based on at least 75% of total PMI survey responses each month. The January flash was based on 78% of the replies used in the final 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 Services Activity Index ⁽¹⁾ | -0.2 | 0.7 |
| Germany Composite Output Index ⁽²⁾ | -0.1 | 0.5 |

Notes

1. 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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.

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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