

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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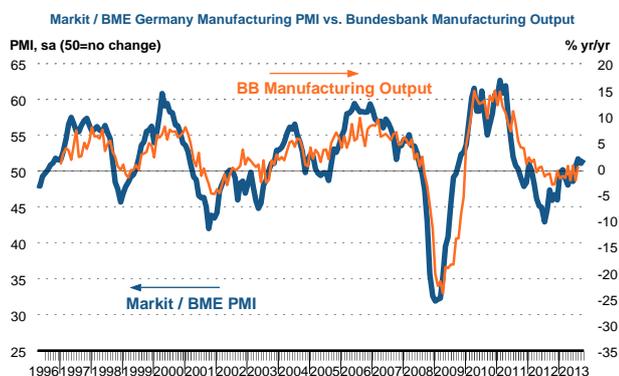
Markit/BME Germany Manufacturing PMI® – final data

Solid expansion of manufacturing output in October

Key points:

- Production levels increase for sixth consecutive month
- Moderate improvement in new order books
- Slight reduction in employment numbers during October

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

Manufacturers in Germany highlighted increased production and new order volumes across the sector during October. As a result, the final seasonally adjusted **Markit/BME Germany Manufacturing Purchasing Managers' Index® (PMI®)** posted 51.7, up from 51.1 in September and above the neutral 50.0 threshold for the fourth consecutive month. The latest reading was broadly in line with the long-run series average (51.8) and indicated a moderate improvement in overall business conditions. The main drag on the headline PMI in October was a faster reduction in employment levels over the month.

Latest data pointed to a rise in German manufacturing production for the sixth successive month. The rate of expansion was solid and faster than the three-month low seen in September. Investment and intermediate goods producers posted output growth during October, while consumer goods firms recorded lower production.

Output volumes were boosted by a further improvement in new order books during October. Higher levels of incoming new business have been recorded in each month since July, with the latest expansion supported by a slight rise in new export work. By sector, investment goods producers posted the strongest rise in new orders, while consumer goods was the weakest performing category.

Despite a solid increase in production during October, the latest survey highlighted that manufacturers continued to cut their employment and stock levels. Workforce numbers have now decreased for seven months running, which is the longest period of continuous decline since the 18-month sequence of job shedding seen in 2008-2010. Inventories of finished goods were lowered for the third successive month in October, while pre-production stocks also dropped marginally despite an upturn in input buying.

There were some signs of strains on supplier capacity in October, as delivery times for inputs lengthened for the third successive month and to the greatest degree since July 2011. Meanwhile, average cost burdens rose for the first time since November 2012, but the pace of increase was only marginal.

Stronger cost pressures and gradually improving demand levels led some manufacturers to raise their output charges in October. Although factory gate prices rose only moderately, the latest increase was the most marked since that seen in May 2012.

Comment:

Commenting on the final Markit/BME Germany Manufacturing PMI[®] survey data, **Tim Moore**, **senior economist at Markit** and author of the report said:

“Manufacturing business conditions improved again in October, with production volumes rising at a solid clip and new orders expanding at one of the fastest rates seen over the past two-and-a-half years. Increased export sales contributed to the upturn in new order inflows, with robust growth in the investment goods sector helping offset weakness in consumer goods.

“Supply chain pressures were highlighted in the October survey, as delivery times for inputs lengthened to the greatest degree in over two years and cost burdens increased for the first time since November 2012. Meanwhile, manufacturers reduced their staffing levels again in October, but the renewed rise in backlogs of work may provide fresh impetus for job creation in the months ahead.”

-Ends-

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Notes to Editors:

The Germany Manufacturing PMI[®] (*Purchasing Managers' Index*[®]) is produced by Markit Economics and is based on original survey data collected from a representative panel of over 500 companies based in the German manufacturing sector.

The **final** Germany Manufacturing 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 October flash was based on 97% 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 Manufacturing PMI ⁽¹⁾	0.1	0.3

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.

1. 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.

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.

About BME

BME is the German Association for Materials Management, Purchasing and Logistics, founded in 1954. It provides services for around 6,000 individual and corporate members, including small and medium-sized businesses as well as Germany's top 200 companies. The BME promotes a dialog between business and academia, both on the demand and the supply side, by providing the necessary networks for communication and knowledge exchange. The association is open to all company types from any sector (industry, trade, banking/insurance, public sector, service providers, etc.).

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