

News Release

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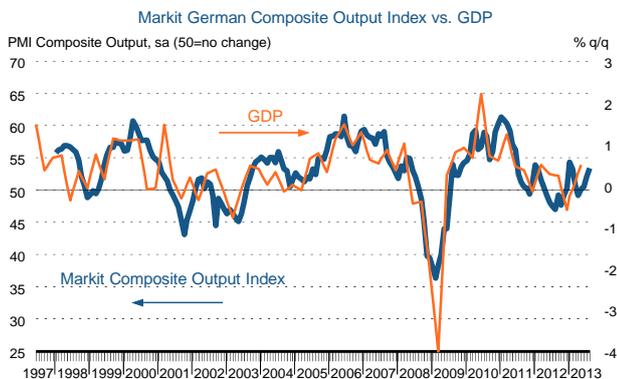
Markit Germany Services PMI[®] – final data (with Composite PMI[®] data)

Service sector output growth hits six-month high in August

Key points:

- Final Germany Services Business Activity Index⁽¹⁾ at 52.8 in August, up from 51.3 in July (6-month high).
- Final Germany Composite Output Index⁽²⁾ at 53.5 in August, up from 52.1 in July (7-month high).

Historical overview:



Sources: Markit, EcoWin

Summary:

Germany's service sector registered another increase in business activity during August. Adjusted for seasonal influences, the final **Markit Germany Services Business Activity Index** posted 52.8, up from 51.3 in July and above the critical 50.0 no-change threshold for the third month running. The latest reading signalled a solid pace of expansion that was the fastest since February and broadly in line with the long-run series average (52.9). Higher levels of business activity were recorded in four of the six sub-sectors monitored by the survey, with Transport & Storage and 'Other Services' the exceptions. Output growth was strongest in Post & Telecommunications, followed by Financial Intermediation.

Adjusted for seasonal influences, the final **Markit Germany Composite Output Index** – which measures the combined output of the manufacturing and service sectors – registered 53.5 in August, up from 52.1 in July and above the neutral 50.0 mark for the fourth month running. The latest reading pointed to a solid overall expansion of German private sector output, and the fastest growth rate since January.

Increased levels of service sector business activity were driven by another improvement in new work during August. Although the latest rise in new business volumes was only moderate, the pace of expansion picked up to its strongest since January. Higher levels of client spending contributed to a renewed increase in unfinished work across the German service sector, thereby ending a 17-month period of reduction. August data indicated that the overall rise in backlogs of work was driven by the Financial Intermediation sector. Across the private sector as a whole, new business growth hit a seven-month high and backlogs rose for the first time since June 2011.

August data signalled that job creation was maintained across the German service economy for a second month running. However, the rate of employment growth was only marginal and slightly slower than that seen in July. Companies that reported an increase in their staffing levels generally commented on new contract wins and greater confidence in the business outlook. Across the private sector as a whole, employment fell slightly despite a rise in service sector workforce numbers.

Service providers remain optimistic (on balance) about the prospects for output growth over the next 12 months. More than twice as many survey respondents cited positive expectations for business activity in the coming year as those that anticipate a fall in output. Moreover, the overall degree of

positive sentiment in the service economy was the strongest since April, reflecting expectations of growth in five of the six broad sub-sectors (Transport & Storage was the exception).

On the inflation front, latest data signalled another robust increase in average cost burdens at German service providers. Anecdotal evidence suggested that higher energy bills and fuel prices had contributed to rising input costs in August. That said, the overall rate of cost inflation eased slightly from July's six-month high. Meanwhile, average prices charged by German service providers increased only moderately and at a slower pace than in the previous month. Survey respondents suggested that strong competition for new work had limited their ability to pass on cost increases to clients during August.

Across the private sector as a whole, input costs increased solidly in August, with the rate of inflation the strongest for seven months. Output charges rose only moderately, albeit at the most marked pace since February.

Comment:

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

“Germany’s service economy joined its manufacturing sector in achieving an accelerated pace of output expansion in August, helped by the fastest rise in new business since the start of the year. Another increase in services employment highlighted that companies are increasingly confident about the business outlook for the months ahead. August’s data indicated that the combined output of Germany’s manufacturing and service sectors rose at the sharpest pace for seven months, suggesting that the wider economy is well on track to continue expanding at a solid clip in the third quarter of 2013.”

-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 August 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 August flash was based on 87% 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	0.4

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 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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