

News Release

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

Business activity rises at sharpest rate in over two-and-a-half years

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 55.9 (55.0 in December), 31-month high.
- Flash Germany Services Activity Index⁽²⁾ at 53.6 (53.5 in December), 2-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 56.3 (54.3 in December), 32-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 60.4 (57.9 in December), 33-month high.

Historical overview:



Sources: Markit, EcoWin.

Summary:

Business activity in Germany's private sector continued to rise at a marked pace at the beginning of 2014, highlighted by the seasonally adjusted **Markit Flash Germany Composite Output Index** registering 55.9 in January. The latest reading was up from 55.0 in the previous survey period, signalling the quickest pace of expansion in just over two-and-a-half years.

The acceleration of output growth largely reflected increased production at **manufacturers**, with the rate of output growth the sharpest since April 2011. Higher order intakes and unusual good weather were cited as some of the reasons behind the latest rise. **Service providers** also reported activity growth, extending the current sequence of expansion to eight months. The latest rise in activity

was broadly in line with that seen in December.

January data signalled rising **inflows of new business** at German private sector firms. The rate of growth in new work eased slightly since December, with service sector firms reporting the weakest increase in new business in the current seven-month period of growth. Meanwhile, manufacturers saw the steepest rise in order intakes in 32 months, commenting on increased new business from non-EU-countries and mild weather. Manufacturing **new export orders** rose at the sharpest pace since April 2011 in January and for the sixth month running.

New order growth imparted pressure on operating capacity in January. Backlogs accumulated for a fourth straight month and at an unchanged rate from December. accelerated output and new order growth, the latest rate of job creation eased to the weakest in three months and was only marginal overall. However, both manufacturers and service providers indicated higher employment levels. Some companies linked slower employment growth to restructuring programs and new business plans.

Cost pressures in Germany's private sector persisted, although the rate of inflation slowed to a four-month low. Anecdotal evidence suggested that increased prices for gas and chemicals were some of the reasons for the latest cost rise. In response to higher cost burdens, companies raised their selling prices during January. The rate of charge inflation accelerated to a 20-month high.

In the service sector, panellists **expect business activity** to rise over the next 12 months. The increase in optimism reflected a combination of improving economic conditions and increased new business, according to survey respondents. Furthermore, sentiment was the highest since March 2013. Driven by strong business inflows, goods producers meanwhile signalled the sharpest increase in **purchasing activity** in more than two-and-a-half years. Strong demand also contributed to a further decline of **input stocks**.





Comment:

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

"Germany's private sector continued to hit high notes at the start of 2014, expanding at the quickest pace since June 2011. Manufacturing was a particularly bright spot, with companies reporting sharp and accelerated growth of output and new orders.

"Stronger demand in the goods producing sector was attributed to higher business intakes from both domestic and foreign markets, with non-EU countries noted as a source of growth.

"The latest rate of job creation slowed to a threemonth low, however, sending a somewhat mixed signal about the speed of the economic upturn. Nonetheless, with workforce numbers increasing for a third month in succession, levels of unfinished work rising further and new business increasing markedly, the German private sector seems set to maintain its growth momentum in the coming months."

-Ends-

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Note to Editors:

Final January data are published on 3 February for manufacturing and 5 February 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 PMI

Page 3 of 3

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