

News Release

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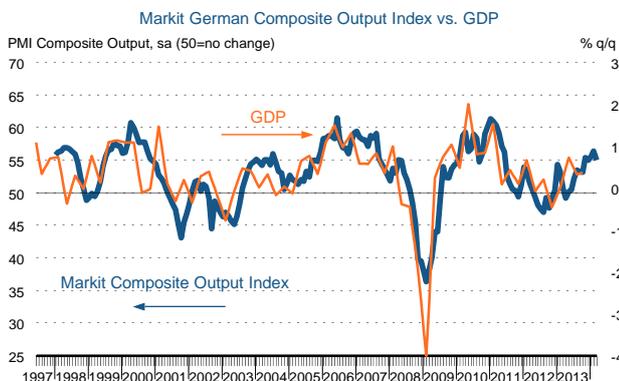
Markit Flash Germany PMI[®]

Expansion in private sector activity slows in March, but remains marked

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 55.0 (56.4 in February), 3-month low.
- Flash Germany Services Activity Index⁽²⁾ at 54.0 (55.9 in February), 2-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 53.8 (54.8 in February), 4-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 57.0 (57.4 in February), 4-month low.

Historical overview:



Sources: Markit, EcoWin.

Summary:

March data signalled further marked growth in Germany's private sector, with the seasonally adjusted **Markit Flash Germany Composite Output Index** registering 55.0. Although down from February's 33-month high of 56.4, the pace of expansion remained marked and above the long-run series average.

The easing in the rate of activity growth was broad-based, with both **manufacturers** and **service providers** indicating weaker expansions than seen in February. Companies in the goods producing sector reported the slowest rise in output since November, while growth in the service sector eased to a two-month low.

In line with a weaker growth trend for activity, German private sector companies reported a

moderation in growth of **incoming new business**. Despite easing to a five-month low, the latest reading was indicative of a modest expansion in new work. While some panellists linked slower growth to the end of promotional sales, exceptionally mild weather and a positive economic outlook were reasons behind the overall expansion. Meanwhile, **new export work** placed at manufacturers rose for an eighth month running, with China, Spain and the US mentioned as sources of growth.

Employment levels rose for a fifth straight month in March, largely driven by hiring efforts in the service sector. Anecdotal evidence suggested that increased business requirements were the main driver for the rise in workforce numbers. Meanwhile, **backlogs of work** were broadly unchanged. An accumulation of unfinished work at manufacturers was offset by a reduction at service providers.

Input cost inflation dipped to an eight-month low in March, easing to only a marginal pace. Manufacturers reported that a reduction in some raw material prices, including aluminium, steel and copper led to weaker inflation.

Higher utility bills and increased staff costs at service providers resulted in the overall rise in input costs. With the rate of cost inflation slowing, **output charges** were little changed since February.

The latest survey results signalled a further increase in **purchasing activity** at German goods producers, extending the current sequence of growth to nine months. The pace of expansion eased, however, to the slowest since November. Strong demand, meanwhile, contributed to the latest drop in **stocks of purchases**.

Concurrently, German service providers remained optimistic about the **business outlook**, with the degree of optimism surging to the highest in just over three years. Increased consumer confidence, improving economic conditions and stronger domestic and export demand were all mentioned as reasons behind positive sentiment.

Comment:

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

“Germany’s private sector economy continued to grow at a robust pace at the end of the first quarter. Although the rate of expansion in activity eased to a three-month low, growth in the three months to March was the joint-strongest since mid-2011.

“Further encouraging news come from the labour market, with staffing levels rising for a fifth straight month. However, the increase was largely driven by hiring efforts at service providers, while manufacturing firms only reported a fractional rise in workforce numbers. Meanwhile, optimism in the service sector soared to the highest level in just over three years, with improving economic conditions boosting confidence.

“The survey suggests we should expect another quarter of economic growth in Germany, with recent data pointing to GDP growth of up to 0.7% in the first quarter.”

-Ends-

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Note to Editors:

Final February data are published on 1 April for manufacturing and 3 April 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?"

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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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