

News Release

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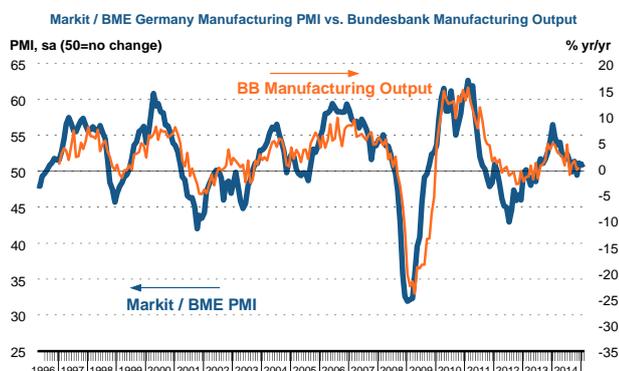
Markit/BME Germany Manufacturing PMI® – final data

PMI signals modest improvement in manufacturers' operating conditions

Key points:

- Output and new orders continue to increase at below-average rates
- Marginal employment growth sustained
- Input costs fall further

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

February data signalled a further improvement in manufacturers' operating conditions, as highlighted by the final seasonally adjusted **Markit/BME Germany Manufacturing Purchasing Managers' Index®** (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – remaining above the crucial 50.0 threshold. However, at 51.1, up marginally from January's 50.9, the rate of improvement was only modest overall and below the long-run series average of 51.9.

The slight improvement in the headline number largely reflected a stronger rise in **new business** placed with German manufacturing companies. The rate of growth in new work was the quickest in

seven months, although weak by historical standards. The latest rise in order intakes was broad-based, as **new export orders** also increased on the month. Companies linked higher demand to an improving economic environment and a weak euro.

With demand rising, German manufacturers scaled up their **production** in February. Output has now increased for 22 months running, and the rate of expansion was little-changed from January's modest pace.

February data signalled marginal **employment** growth in Germany's goods-producing sector, which some survey participants linked to increased business requirements. Meanwhile, latest survey data pointed to some capacity pressures in the sector, with **backlogs of work** rising at the most marked pace in four months.

Input costs in Germany's manufacturing sector declined further in February. Despite slowing since January's five-and-a-half year peak, the rate at which input prices fell was substantial and strong by historical standards. Low oil prices continued to exert downward pressure on input costs, according to survey evidence.

Furthermore, **output prices** declined for a fourth successive month in February. However, the rate at which selling prices fell was the weakest in this sequence and only marginal overall.

Meanwhile, companies lowered their **purchasing activity** further in February. Some panel members linked the decline in input buying to deliberate efforts to reduce stocks. Indeed, **pre-production inventories** were depleted for the fourth straight month, albeit at the slowest pace since last November. **Stocks of finished goods** also fell for the fourth successive month.

Lastly, **suppliers' delivery times** lengthened at a little-changed rate from January.

Comment:

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

“German manufacturing companies reported a third successive monthly improvement in operating conditions in February, with production and new orders rising further. While growth rates remained below levels seen at the start of last year, an improving economic environment and a weak euro should help boost demand in coming months. A further positive development is the return to new export order growth, as demand from Asia and the US strengthened on the month.

“Low oil prices meanwhile exerted further downward pressure on input prices, with costs falling at one of the sharpest rates since 2009. Furthermore, companies continued to lower their selling prices.”

-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 February flash was based on 94% 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⁾	0.0	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 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.

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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