

News Release

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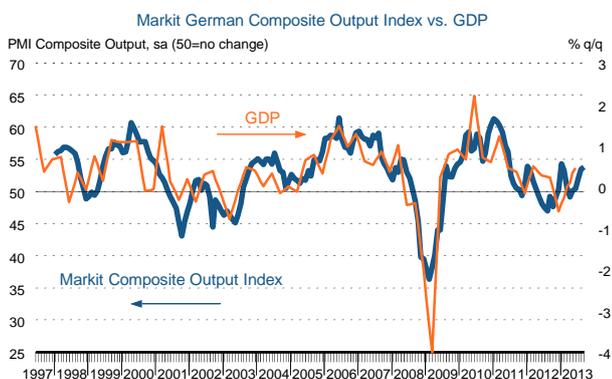
Markit Flash Germany PMI[®]

Improved services performance leads to stronger expansion of German private sector output in September

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 53.8 (53.5 in August), 8-month high.
- Flash Germany Services Activity Index⁽²⁾ at 54.4 (52.8 in August), 7-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 51.3 (51.8 in August), 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 52.7 (54.8 in August), 3-month low.

Historical overview:



Sources: Markit, EcoWin.

Summary:

Output growth accelerated for the fourth month running in September, helped by a further upturn in new orders, which highlighted that the German private sector economy gained further momentum at the end of the third quarter. Meanwhile, net job creation returned in September and, although only marginal, the pace of employment expansion was the most marked since March 2012.

At 53.8 in September, up from 53.5 in August, the seasonally adjusted **Markit Flash Germany Composite Output Index** pointed to a solid rise in business activity, with the pace of expansion the fastest since January. The index has now posted

above the neutral 50.0 threshold for five months in a row.

The latest acceleration of output growth in Germany was driven by an improved performance across the **service sector**. Growth of services activity picked up to the sharpest for seven months. **Manufacturers** indicated a further increase in production levels, but the latest expansion was the slowest since June.

Volumes of new work meanwhile increased for the third successive month in September, and the rate of expansion reached its fastest since June 2011. In line with the trend for output, the acceleration in new business growth was driven by the service economy during September. Service providers indicated that new work increased at the fastest pace for eight months, while manufacturing new orders growth eased from August's 27-month high.

Improved new order levels contributed to an accumulation of **unfinished work** for the second month running in September. The latest increase was the most marked since June 2011 and mainly driven by the service sector.

September data signalled a moderate rise in German private sector **employment**, with the pace of expansion the strongest for a year-and-a-half. This was driven by an accelerated pace of job creation among service providers, which contrasted with a further drop in manufacturing staffing levels during September.

In the manufacturing sector, average **input prices** fell for the tenth month running, but the rate of decline was only marginal and the slowest seen over this period. Robust cost inflation persisted in the service economy, which companies mainly linked to higher transport and fuel costs. Nonetheless, **prices charged** by service providers decreased for the first time in five months, while manufacturers raised their output prices at a marginal pace in September (ending a five-month period of discounting).

Comment:

Tim Moore, Senior Economist at Markit and author of the Flash Germany PMI®, said:

“Germany’s economy remained firmly in recovery mode during September, and its strengthening performance should continue to reverberate across the euro area. Positive signs from the German economy are a crucial factor underpinning global business confidence at present, especially while some momentum has been lost across emerging markets.

“German manufacturing and services output both rose again on the back of improved new business levels during September. Underlying business conditions are therefore improving at a solid clip, while the rebound in staff recruitment highlights greater confidence about upcoming workloads. Survey respondents suggested that expectations are particularly buoyant for demand within the domestic-focused service sector over the months ahead.”

-Ends-

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Note to Editors:

Final September data are published on 1 October for manufacturing and 3 October 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	0.4
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 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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