

News Release

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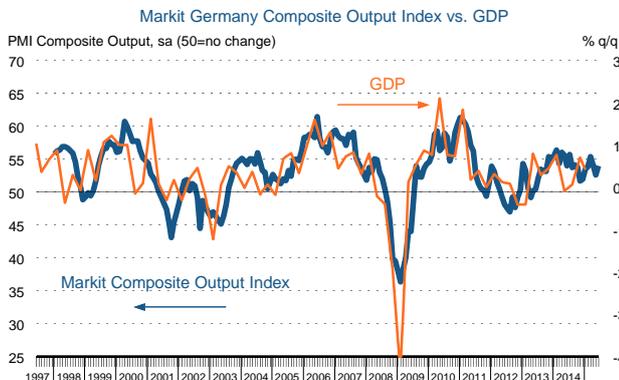
Markit Flash Germany PMI®

Private sector output increases at stronger rate, but new order growth slows

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 54.0 (52.6 in May), 2-month high.
- Flash Germany Services Activity Index⁽²⁾ at 54.2 (53.0 in May), 3-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 51.9 (51.1 in May), 2-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 53.5 (51.9 in May), 2-month high.

Historical overview:



Sources: Markit, EcoWin.

Summary:

The seasonally adjusted **Markit Flash Germany Composite Output Index** rose from May's five-month low of 52.6 to 54.0 in June, thereby signalling an acceleration in private sector output growth. However, the average reading for the second quarter as whole (53.6) was slightly weaker than that for the opening three months of the year (54.2).

In contrast to the trend for output, **new business** placed with German private sector companies rose at a slower pace in June. The rate of expansion was in fact the least marked in 2015 so far. Moreover, the slowdown was largely attributed to weaker growth at service providers, with some

panellists commenting that new landlord and tenant regulations had an impact. Manufacturers meanwhile signalled a slightly stronger rise in new work, partly attributed to an acceleration in growth for **new export orders**.

German private sector firms continued to add to their **payrolls** in June, but the rate of job creation slowed slightly since the previous month. Where employment growth was reported, survey participants commented on higher new business.

June data signalled some ongoing spare capacity in Germany's private sector, with **backlogs of work** falling for a third straight month. The rate of decline eased, however, since June and was only marginal overall.

Companies signalled a further increase in **input costs** in June, thereby extending the current period of inflation to four months. Higher input costs were largely a result of exchange rate factors, increased staff costs and higher prices for some raw materials, according to survey evidence.

Output prices continued to increase at a modest pace in June, according to latest survey data, with the rate of charge inflation the weakest in three months. Where companies raised their selling prices, they commonly attributed this to increased input costs.

German **goods producers** meanwhile signalled a further reduction in **pre-production inventory holdings**, with the rate of decline the sharpest since February. Furthermore, the latest deterioration in **suppliers' delivery times** was the most marked in nine months.

The latest survey results meanwhile showed that German **service providers** remained optimistic about their 12-month outlook towards activity. The level of positive **sentiment** was slightly higher than that seen in May, but remained below the average for 2015 so far. Positive expectations were generally linked by survey respondents to new products, new customers, new investments and an improving economic environment.

Comment:

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

“The latest flash PMI readings paint a mixed picture of the health of Germany’s private sector economy. While companies reported that output rose at a stronger rate than in May, the latest increases in new business and employment were only slight and suggest that activity growth may slow again in coming months. Moreover, the survey data for the second quarter signal it is unlikely GDP growth has picked up since the first quarter.

“Meanwhile, input prices rose further, as higher staff costs, exchange rate factors and increased prices for some raw materials continued to exert upward pressure on prices. While the rate of inflation slowed from May’s 31-month high, it was nevertheless one of the highest over the last year-and-a-half.”

-Ends-

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Note to Editors:

Final June data are published on 1 July for manufacturing and 3 July 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⁾	0.0	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

Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 30 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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