

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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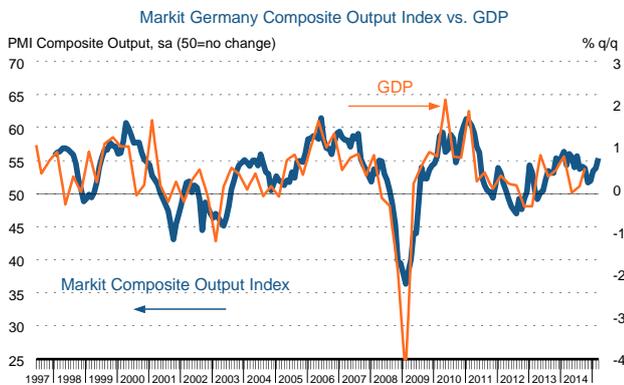
Markit Germany Services PMI[®] – final data (with Composite PMI[®] data)

Service sector activity growth accelerates as business optimism hits four-year high

Key points:

- Final Germany Services Business Activity Index⁽¹⁾ at 55.4 in March, up from 54.7 in February (6-month high).
- Final Germany Composite Output Index⁽²⁾ at 55.4 in March, up from 53.8 in February (8-month high).

Historical overview:



Sources: Markit, EcoWin

Summary:

Service sector activity growth in Germany accelerated further at the end of the first quarter and new orders increased markedly. Moreover, companies hired additional workers in order to meet higher production requirements and reduce the amount of backlogs. Service sector companies signalled the highest level of positive sentiment towards the outlook for business activity since March 2011.

March data signalled a further rise in service sector activity in Germany, with the rate of expansion the strongest in six months. This was highlighted by the seasonally adjusted final **Markit Germany Services Business Activity Index** rising from

February's 54.7 to 55.4. Surveyed companies largely attributed the rise in activity to increased new business.

The final **Markit Germany Composite Output Index** – which measures the combined output of the manufacturing and service sectors – meanwhile rose from February's 53.8 to an eight-month high of 55.4 in March, thereby signalling accelerated output growth in Germany's private sector.

In line with the trend for activity, new business placed with German service providers also increased at a sharper rate. The rate of expansion was the strongest since last September, with one-quarter of the survey panel signalling growth. Anecdotal evidence linked increased new business to an improving economic climate and higher demand.

Despite stronger growth in new orders, service sector companies reported some spare capacity at their units, as signalled by a modest drop in business outstanding. Survey participants commented on deliberate efforts to clear backlogs.

March data signalled a continuation of employment growth in Germany's service sector. Despite slowing since the previous month, the rate of job creation remained above the long-run series trend. Some panellists attributed higher workforce numbers to efforts to reduce their backlogs, while others commented on increased new business.

Service sector input cost inflation accelerated in March, with the latest increase in input prices the steepest since last July. Some panel members noted that the introduction of a national minimum wage at the start of the year continued to drive costs higher, while others commented on exchange rate factors. In response to increased input prices, German service providers raised their charges for the second month running in March.

Survey data showed an improvement in business expectations at service providers in March, with the level of positive sentiment the highest in four years. Panellists commented on higher new business, increased investments and an improving economic environment.

Comment:

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

“Germany’s service providers signalled a pick-up in activity growth at the end of the first quarter, with the headline index improving for the third month running. New business flooded in at the strongest rate since September of last year, with companies benefitted from an improving economic environment, which in turn encouraged them to further add to their payrolls.

“Survey data suggest that positive sentiment towards the 12-month outlook for business activity hit a four-year high in March, and companies were able to raise their charges to the greatest extent for nine months.

“PMI data also showed that the upturn in economic activity was broad-based, with manufacturers and service providers experiencing similarly strong rates of output growth.”

-Ends-

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Notes to Editors:

The Germany Services *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of over 500 companies based in the German service sector. The final Germany Services 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 March flash was based on 64% of the replies used in the final data.

The Germany Composite *PMI*[®] is based on original survey data collected from a representative panel of 1,000 companies based in the German manufacturing and service sectors. The final Germany Composite 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 March flash was based on 75% 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 Services Activity Index ⁽¹⁾	-0.2	0.7
Germany Composite Output Index ⁽²⁾	-0.1	0.5

Notes

1. 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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.

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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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