

News Release

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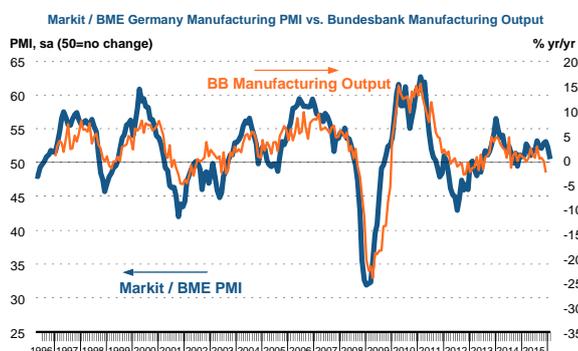
Markit/BME Germany Manufacturing PMI® – final data

Germany Manufacturing PMI drops to 15-month low in February

Key points:

- Production rises at slowest pace since December 2014
- Employment falls for first time in one-and-a-half years
- Steepest drop in input costs since financial crisis

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

Manufacturing growth in Germany slowed further in February, according to latest survey data. The final seasonally adjusted **Markit/BME Germany Manufacturing Purchasing Managers' Index®** (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – dropped from January's 52.3 to a 15-month low of 50.5, thereby signalling only a fractional improvement in operating conditions. Downward contributions to the headline PMI came from all five sub components.

Subdued demand from both the domestic and foreign markets was one of the reasons behind the manufacturing slowdown in February, with total **new orders** and **new export orders** both rising at the weakest rates in seven months. Sector data

suggested that much of the weakness was centred around the intermediate goods sector.

Output also increased at a slower pace during the month, with the latest increase in fact the least marked in over a year. Production growth was particularly sluggish at consumer and intermediate goods manufacturers.

With output and new orders rising at weaker rates, companies were more cautious about their **payroll numbers** in February. This was signalled by the first reduction in workforce numbers since August 2014. The rate of job shedding was only marginal, however.

Business outstanding at German manufacturers rose for a thirteenth month running, although the rate of accumulation was the weakest since last July. Meanwhile, **post-production inventories** fell at a slightly weaker rate than in January.

February saw **input costs** fall further, as low energy and raw material prices continued to exert downward pressure on overall costs. Moreover, the rate of deflation accelerated and was the sharpest since the financial crisis, with more than one-third of panellists reporting a drop. In response to lower input costs, some companies lowered their **selling prices**. Moreover, factory gate prices fell to the greatest degree since June 2013.

Latest survey results highlighted a near-stagnation of **buying activity**, with the latest increase the least marked in the current 12-month period of growth. This was partly attributed by panellists to subdued new order growth and destocking efforts. Consequently, **stocks of purchases** declined further, and at the fastest pace in two-and-a-half years.

Vendor performance improved for the first time in 31 months in February, thereby signalling a lack of pressure on supply chains.

Comment:

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

“It looks as if the German manufacturing engine has run out of steam, with the headline PMI falling to a 15-month low in February. Faced with weak domestic and foreign demand and slow production growth, manufacturers reduced their workforce numbers for the first time in one-and-a-half years. Moreover, with backlogs of work rising at the weakest rate since last July, there is certainly a danger that companies will continue to shed staff in coming months.

“Deflationary pressures meanwhile intensified, as low energy and raw material prices led to the steepest drop in input costs since the financial crisis. Although companies were able to reduce their selling prices to the greatest extent since the summer of 2013, demand remained subdued, as highlighted by the smallest gain in new business since last July.

“Overall, the data are a serious blow to hopes that any meaningful growth in Germany’s manufacturing sector would resume at the beginning of the year.”

-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 90% 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.

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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.

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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