

News Release

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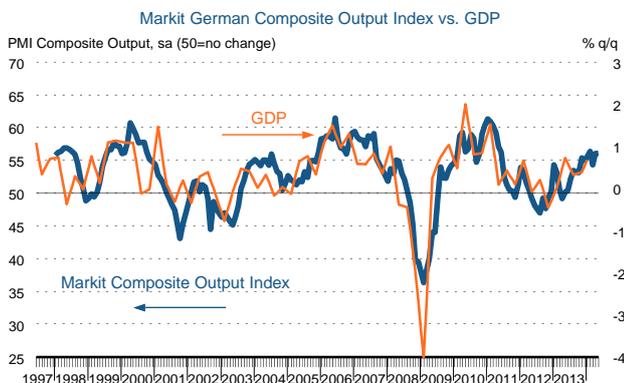
Markit Flash Germany PMI®

Private sector employment growth hits 29-month high

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 56.1 (56.1 in April), unchanged.
- Flash Germany Services Activity Index⁽²⁾ at 56.4 (54.7 in April), 35-month high.
- Flash Germany Manufacturing PMI⁽³⁾ at 52.9 (54.1 in April), 6-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 55.3 (58.8 in April), 6-month low.

Historical overview:



Summary:

May data signalled a further robust rise in private sector activity in Germany, with the **Markit Flash Germany Composite Output Index** posting comfortably above the 50.0 mark that separates growth from contraction. At 56.1, the index was unchanged since April and well above its long-run series average of 53.0. The increase in output was largely attributed by panellists to higher order intakes.

Service sector companies reported a particularly large rise in activity, with the rate of growth accelerating to the quickest in nearly three years. **Manufacturers** meanwhile signalled a weaker, but still sharp increase in output, with the rate of expansion easing to a six-month low.

The latest rise in **new business** extended the

current sequence of growth to 11 months, with the pace of expansion picking up since April to the quickest since November last year. Survey participants suggested that increased order intakes reflected a combination of higher activity in the auto industry, a general positive economic environment and the securing of new clients.

In the manufacturing sector, companies reported a further increase in **new export work**. The pace of expansion was broadly in line with that seen in April and panellists commented on stronger client demand from Asia, Europe and the US.

German private sector companies hired additional workers during May, stretching the current sequence of employment growth to seven months. The **rate of job creation** accelerated for the second month running and was the sharpest since late-2011. Anecdotal evidence suggested that the rise was largely driven by higher business requirements. Concurrently, **backlogs of work** fell during May, although only modestly overall.

On the price front, **input costs** rose at the fastest pace in three months, with inflation largely attributed to increased salaries in the services sector. Meanwhile, input prices continued to fall at manufacturers.

Companies passed higher input costs on to customers, resulting in a rise in **output charges** in May. The rate of charge inflation picked up since April, but was modest overall.

Purchasing activity at German **manufacturers** continued to rise in May, but the latest expansion was the weakest since last October, in part reflecting slower growth in new orders. Meanwhile, **stocks of finished goods** decreased for a sixth successive month.

In the **service sector**, **expectations** with regards to the one-year outlook remained positive. Despite easing to a five-month low, the level of positive sentiment remained high in the context of historical data, with panel members commenting that higher new orders, improved consumer confidence and internal growth had boosted optimism.

Comment:

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

“Recovery prospects in Germany’s private sector continued to brighten in May, with the flash PMI signalling further solid increases in activity and new orders. Furthermore, we saw rising workloads feed through to meaningful employment gains, with the latest rate of job creation the highest since late-2011.

“While solid growth was reported across both monitored sectors, a closer look at the data suggests that the service sector outperformed the goods producing sector in May. Manufacturing growth eased slightly after a weather related boost at the start of the year. However, the slowing does little to alter the underlying strong trend of a broad-based recovery.

“Last week, official data confirmed what recently strong PMI readings had signalled. Gross domestic product rose by 0.8% in the first three months of the year, which was the largest increase since early-2011. Survey data for the second quarter so far suggest that we should expect another period of solid growth of GDP.”

-Ends-

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Note to Editors:

Final May data are published on 2 June for manufacturing and 4 June 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 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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