

News Release

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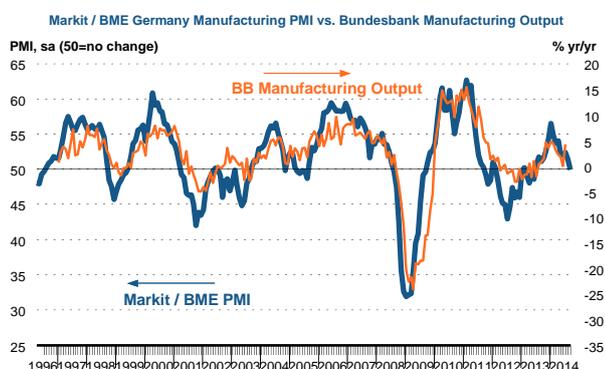
Markit/BME Germany Manufacturing PMI® – final data

German manufacturing stagnates in September as PMI drops to 15-month low

Key points:

- New orders fall for the first time since June 2013
- Production growth slows further
- Companies reduce their selling prices amid sharper drop in input costs

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

The final seasonally adjusted **Markit/BME Germany Manufacturing Purchasing Managers' Index® (PMI®)** – a single-figure snapshot of the performance of the manufacturing economy – slipped below the neutral 50.0 threshold in September. At 49.9, down from 51.4 in August, the headline PMI signalled stagnation in Germany's goods-producing sector, thereby ending a 14-month sequence of continuous growth. The headline index reading followed an earlier 'flash' estimate of 50.3.

Weighing on the headline PMI in September was a decline in **total new work**. German manufacturers reported the first drop in order intakes since June 2013, with the pace of contraction the quickest since late 2012. Surveyed companies linked lower new

business to a weakening economic environment and falling domestic demand.

New work from foreign markets, meanwhile, rose marginally, albeit at the slowest pace in the current 14-month spell of growth. Survey participants attributed the weaker expansion to the Russian sanctions and subdued growth in main export destinations (e.g. China).

Despite the drop in total new orders, manufacturers were able to increase their **production levels** slightly. That said, the pace of expansion was the slowest in 15 months and marginal overall. Some panellists linked the rise in output to the processing of backlogs. Indeed, the latest survey data signalled a slight decline in the level of **work outstanding**.

The modest increase in output led to a stabilisation of the **labour market** in September, with companies reporting unchanged workforce numbers since August, thereby ending a three-month stretch of job shedding. Rising production was also the main reason for a marginal increase in **purchasing activity**.

A further fall in **input costs** was signalled by German manufacturers in September, with companies commenting on lower prices for energy and some raw materials. The rate at which costs declined was the sharpest in four months.

In response to lower input costs and increased market competition, companies reduced their **selling prices** in September. Charges fell for the first time since March, albeit marginally overall.

German manufacturers were relatively cautious about their stock policy in September, with **stocks of purchases** falling at the strongest rate in nine months and **stocks of finished goods** rising only fractionally. The rise in post-production inventories was linked by some panellists to excess production.

Lastly, suppliers' delivery times lengthened to the greatest extent in four months during September.

Comment:

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

“September’s manufacturing PMI results paint a worrying picture of the health of Germany’s goods-producing sector. The headline PMI fell to its lowest level in 15 months, heavily weighed down by the sharpest drop in new orders since the end of 2012. Surveyed companies reported that a weakening economic environment, Russian sanctions and subdued growth in key export destinations were reasons behind the disappointing reading.

“Moreover, deflationary pressures persisted into September, with both input and output prices falling since the previous month. This was the first time since March that both price indices registered below the neutral 50.0 mark.

“On a positive note, September marked an end to a three-month period of job cuts, and despite declining order intakes, companies reported further (albeit weaker) production growth and a marginal rise in buying activity.”

-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 September flash was based on 86% 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 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.

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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