

News Release

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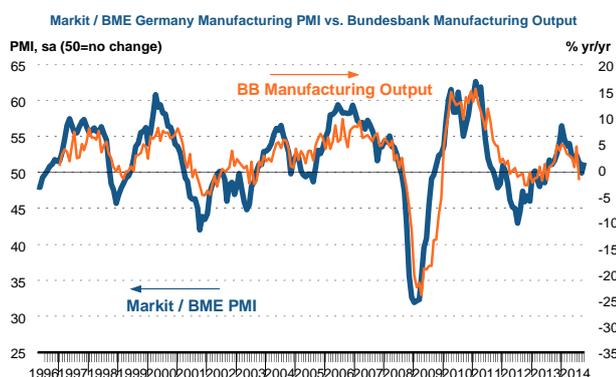
Markit/BME Germany Manufacturing PMI® – final data

Manufacturing PMI moves back into expansion territory

Key points:

- Production growth accelerates despite marginal decline in new orders
- Rate of job creation hits 33-month high
- Input costs decline at sharpest rate since April

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

October data signalled a return to growth in Germany's goods-producing sector, as highlighted by the final seasonally adjusted **Markit/BME Germany Manufacturing Purchasing Managers' Index®** (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – rising from September's 15-month low of 49.9 to 51.4. That said, the rate of improvement in operating conditions was modest overall and well below levels seen at the beginning of the year. The headline index reading followed an earlier 'flash' estimate of 51.8.

Production at German manufacturers increased further at the start of the fourth quarter, and the pace of expansion accelerated to a three-month high. Some panellists linked higher output to the

build-up of stock. Consumer and investment goods producers signalled the strongest growth in output.

Meanwhile, a slowing economy and the Russian sanctions continued to weigh on demand, highlighted by a second successive, albeit fractional, drop in **new orders**. That said, the fall in total new work was domestically driven, as **new export orders** continued to increase. Some survey participants mentioned the US as a source of export growth.

Increased production requirements and rising **backlogs** encouraged companies to take on additional workers in October. **Employment** rose for the first time since May, and the rate of job creation was the sharpest in nearly three years.

Competitive market pressures meanwhile helped keep a lid on inflationary pressures, with **input costs** falling further and **charges** largely unchanged since the previous month. The rate at which input costs declined was the strongest in six months, and by panellists linked to lower crude oil and raw material prices.

Despite the fractional fall in new orders, German manufacturers increased their **buying activity** in October, and partly linked this to higher production requirements. That said, some companies placed their purchases directly into stock, resulting in a slight rise in **pre-production inventories**. Anecdotal evidence suggested that some companies accumulated stock in anticipation of rising input costs.

Stocks of finished goods also increased in October, extending the current sequence of rising inventories to three months. Growth was, however, only marginal.

Finally, **vendor performance** deteriorated further in October. However, the rate at which average lead

times lengthened was the weakest in over a year, amid reports of spare capacity at some suppliers.

Comment:

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

“The headline PMI moved back above the crucial 50.0 mark in October as output growth accelerated and companies increased their workforce numbers to the greatest extent in nearly three years, adding to hopes that economic growth can be sustained in the coming months.

“However, the survey results also showed that new business fell for the second month running as the Russian sanctions and a general economic slowdown weighed on demand. Worryingly, the drop in new work was driven by weakening domestic demand.

“Overall, the data send mixed signals about the health of Germany’s manufacturing sector and it is too early to say whether the sector will be able to sustain growth in the fourth quarter.”

-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 October flash was based on 83% 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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