

News Release

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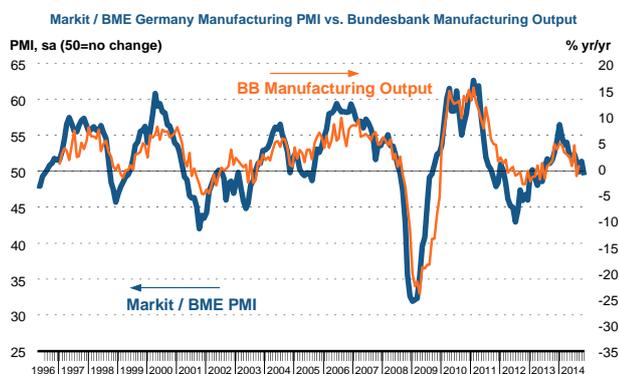
Markit/BME Germany Manufacturing PMI® – final data

PMI falls to 17-month low, signalling downturn in German manufacturing

Key points:

- Production growth weakest since June 2013
- New orders decline at strongest rate for nearly two years
- Input costs decrease further

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

The seasonally adjusted final **Markit/BME Germany Manufacturing Purchasing Managers' Index®** (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – fell from 51.4 in October to a 17-month low of 49.5 in November, signalling contraction in Germany's goods-producing sector. The headline PMI is now seven points lower than at the beginning of the year and remained below its long-run average of 51.9. The headline index reading followed an earlier 'flash' estimate of 50.0.

Production growth at German manufacturers slowed to only a marginal pace in November, with companies commenting on lower demand from both domestic and foreign markets. Sector data

suggested that the slowdown in output growth largely reflected a decline in production at consumer goods producers.

New business placed with manufacturing firms in Germany fell for the third month running in November, and the rate of contraction accelerated to the strongest in nearly two years. Surveyed companies partly linked the drop in new orders to economic uncertainties and weak export demand.

Indeed, **new export orders** fell on the month for the first time since July 2013, with companies reporting weaker demand from China, the US and Europe.

With output growth slowing and new orders falling further, German manufacturers reduced their **purchasing activity** in November. The rate at which input buying fell was the strongest in nearly one-and-a-half years. Some companies linked lower buying activity to stock reduction policies. Consequently, **stocks of purchases** fell during the latest survey period.

Lower new orders meanwhile resulted in declines in **backlogs of work** and **post-production inventories**. The rates of contraction were the sharpest in 23 and seven months, respectively.

Companies continued to increase their **workforce numbers** in November. The rate of job creation was, however, only marginal. Where survey participants commented on increased employment, they attributed this to production growth.

Increased competition meanwhile led to a reduction in **selling prices** at German manufacturers. The rate at which charges fell was marginal, but nevertheless the sharpest since March. **Input costs** also fell, with companies commenting on lower prices for oil, energy and some raw materials.

Meanwhile, **suppliers' delivery times** rose further in November. However, the rate at which average lead times lengthened was the weakest in 15 months.

Comment:

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

“German manufacturers continued to record growth of production in November, but this expansion seems to be based on increasingly shaky foundations. In particular, output expanded despite lower backlogs, falling stocks of finished goods and the sharpest drop in new orders for almost two years.

“The headline PMI fell to its lowest level in 17 months, with the average reading for the fourth quarter so far the lowest since Q2 2013. With companies struggling to obtain new contracts from home and abroad in the face of economic uncertainties, hopes are now fading that any meaningful growth in manufacturing will resume towards the end 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 November flash was based on 80% 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.*

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.

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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