

News Release

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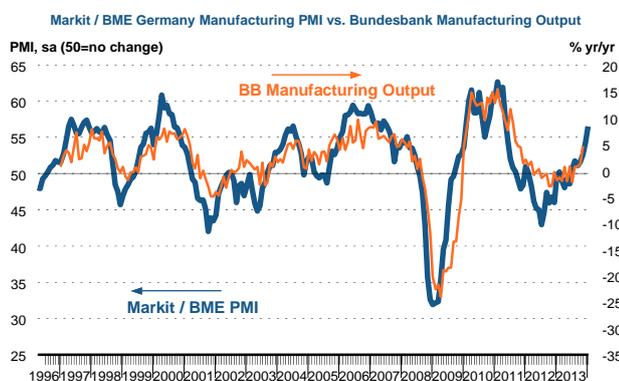
Markit/BME Germany Manufacturing PMI® – final data

Upturn in Germany's goods producing sector accelerates as PMI hits 32-month high

Key points:

- Output and new orders rise at sharpest rates in nearly three years
- Client demand from foreign markets strengthens markedly
- Employment levels continue to rise as backlogs accumulate sharply

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

Germany's manufacturing firms reported a robust improvement in operating conditions at the start of 2014, with the seasonally adjusted **Markit/BME Germany Manufacturing Purchasing Managers' Index®** (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – rising from December's 54.3 to a 32-month high of 56.5. The PMI was boosted by accelerated output and new order growth and a second successive month of job creation.

January saw a solid increase in **production levels** at German goods producers, with the pace of expansion the quickest in nearly three years.

Panellists largely attributed production growth to the introduction of new product lines and increased new business. Indeed, **order intakes** rose at the sharpest rate since April 2011, supported by strengthening demand from foreign markets.

In line with the trends for output and total new orders, **new business from abroad** rose at an accelerated pace during January, with companies mentioning Asian markets and the US as sources of growth in new export business. The rise was especially sharp at companies in the consumer goods sector.

Meanwhile, capacity pressures continued to build during January, with **backlogs of work** rising for the fourth straight month and at the fastest pace in 33 months. All three market groups saw an increase in unfinished work. Pressures on operating capacity spurred **job creation** in January, resulting in a second consecutive increase in workforce numbers. Companies hired additional workers to the greatest extent in two years.

Higher demand also led to a reduction of **stocks of finished goods** and deteriorating **vendor performance**. While the drop in post-production inventories slowed since December, suppliers' delivery times lengthened at the fastest pace in just over two-and-a-half years. With output and new orders rising sharply, companies increased their **input buying** to the largest extent in almost three years in January. Concurrently, **stocks of purchases** fell further although only slightly.

On the price front, **input costs** rose further in January, although at a weaker rate than seen in December and only slightly overall. Companies commented on higher prices for some raw materials. In response to increased input costs, companies raised their selling prices. **Charges** increased for a fourth successive month.

Comment:

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

“Germany’s manufacturing sector moved up a gear at the beginning of 2014, with production levels and order intakes expanding at a pace not seen for almost three years. The sharp rise in new work was supported by stronger demand from both domestic and foreign markets, with Asian countries and the US mentioned as sources of export growth.

“It looks as if growth is now also translating into meaningful job creation, with companies hiring new workers for a second straight month. The increase in employment levels highlights greater confidence about upcoming workloads, which was also supported by the steepest rise in backlogs in over two-and-a-half years.

“The German economy looks set for a strong performance in the first quarter of the year, which comes as a relief after official data indicated that German GDP increased a disappointing 0.4% in 2013.”

-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 January flash was based on 82% 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⁾	0.1	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

Markit is a leading global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information, see www.markit.com

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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