

News Release

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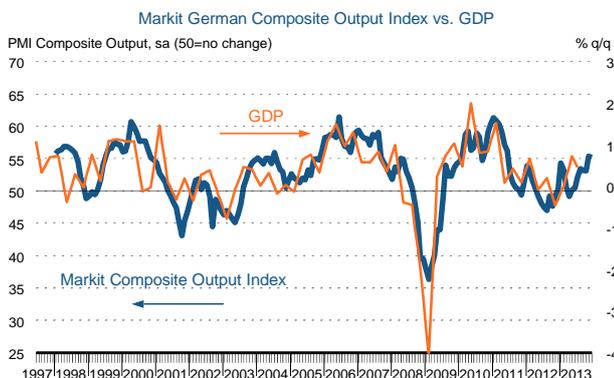
Markit Flash Germany PMI[®]

Strongest manufacturing output growth since May 2011

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 55.2 (55.4 in November), 2-month low.
- Flash Germany Services Activity Index⁽²⁾ at 54.0 (55.7 in November), 2-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 54.2 (52.7 in November), 30-month high.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 57.5 (54.9 in November), 31-month high.

Historical overview:



Sources: Markit, EcoWin.

Summary:

German private sector output continued to rise at a solid pace at the end of 2013. The seasonally adjusted **Markit Flash Germany Composite Output Index** posted 55.2 in December, to remain above the 50.0 no-change value for the eighth consecutive month. Although the index was fractionally lower than in November (55.4), the latest reading was the second-highest for exactly two-and-a-half years.

Higher levels of private sector output reflected increases in both **manufacturing** and **service sector** business activity. Manufacturing production growth accelerated for the third month running and was the steepest since May 2011. Service providers also indicated a robust expansion of activity, but the rate of growth eased since

November.

Growth of private sector business activity was supported by an improvement in **new order inflows** for the sixth consecutive month in December. In line with the trend for output, manufacturers signalled a sharper rise in new business levels than service providers. The latest rise in manufacturing new orders was the fastest since April 2011, helped in part by the most marked increase in **new export work** for just over two-and-a-half years.

Stronger client demand resulted in a moderate accumulation of **unfinished work** across the German private sector during December. The latest increase in backlogs was driven by the steepest rise in work-in-hand (but not yet completed) at manufacturing companies since May 2011. Pressures on operating capacity and improving sales patterns spurred **job creation** within the German private sector during December, with employment growth the fastest for almost two years. Higher workforce numbers were recorded in both the manufacturing and service sectors during the latest survey period.

In the service sector, around 29% of companies anticipate a rise in **business activity over the course of 2014**, while 17% forecast a reduction (13%). Anecdotal evidence suggested that expectations of gradually improving economic conditions across the euro area, alongside recent signs of an upturn in client spending, had underpinned business confidence in the service economy. There were also positive signals for manufacturing output growth in the months ahead, as **input buying** rose at the steepest pace for two-and-a-half years and strong demand contributed to the most marked drop in **stocks of finished goods** since March.

Meanwhile, **input price inflation** across the German private sector accelerated to a 14-month high during December, reflecting faster rises in cost burdens at both manufacturing and services companies. Latest data pointed to a particularly sharp rise in cost inflation across the service

economy, with survey respondents frequently citing higher energy bills and staff salaries at their units. However, strong competition for new work contributed to only a moderate increase in average **prices charged** by private sector companies in December.

Comment:

Tim Moore, Senior Economist at Markit and author of the Flash Germany PMI®, said:

“Germany’s private sector expanded for the eighth month running during December, according to the latest ‘flash’ PMI data. Manufacturing achieved a particularly strong end to the year, with improving new order flows and renewed job creation also providing encouragement that the sector has gained momentum since the autumn.

“Growth of new work was the fastest for over two-and-a-half years while stocks of finished goods were depleted at an accelerated pace. As a result, inventory-to-order ratios will be more supportive of output expansion in the months ahead. Meanwhile, the strong accumulation of backlogs in December provides a further positive signal for production trends into next year.”

-Ends-

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Note to Editors:

Final December data are published on 2 January for manufacturing and 6 January 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	0.5
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

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 please 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.

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