

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:55 (UK Time), 06 November 2013

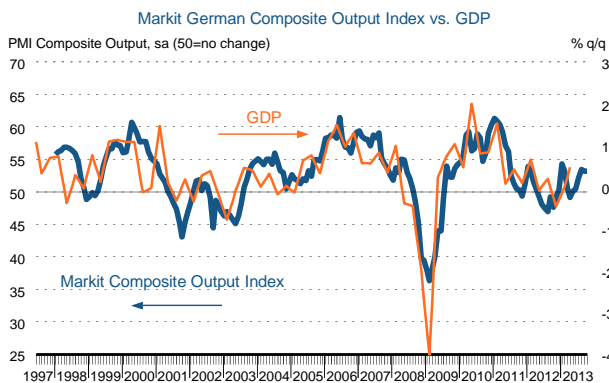
Markit Germany Services PMI® – final data (with Composite PMI® data)

Service sector output rises for the fifth consecutive month in October

Key points:

- Final Germany Services Business Activity Index⁽¹⁾ at 52.9 in October, down from 53.7 in September (2-month low).
- Final Germany Composite Output Index⁽²⁾ at 53.2 in October, unchanged from September.

Historical overview:



Summary:

Service providers in Germany recorded a further expansion of business activity in October, which they widely linked to greater inflows of new work. Survey respondents also indicated an upturn in the 12-month business outlook, with optimism the strongest since April and higher than its long-run trend. However, there were signs of a squeeze on margins, as costs increased at a robust pace while charges rose only fractionally. A further decline in backlogs of work suggested subdued pressures on operating capacity. As a result, employment levels decreased fractionally in October, which ended a three-month period of net job creation in the sector.

The seasonally adjusted final **Markit Germany Services Business Activity Index** posted 52.9 in October, down slightly from September's seven-month high of 53.7. Nonetheless, the index has

registered above the neutral 50.0 value in each month since June and the latest reading pointed to a solid expansion of overall business activity. Sector data indicated a rise in output across five of the six broad areas of the service economy monitored by the survey, with Transport & Storage the exception. Financial Intermediation recorded the fastest pace of growth, followed by Post & Telecommunications.

At 53.2 in October, the seasonally adjusted final **Markit Germany Composite Output Index** – which measures the combined output of the manufacturing and service sectors – was unchanged from September and comfortably above the 50.0 no-change value. The latest reading indicated a solid expansion of private sector output.

October data signalled a solid increase in new work received by service providers. The latest expansion was the most marked since January and widely linked to improving business and consumer confidence. Manufacturers also posted a rise in new orders during October, which contributed to an overall rise in new work across the German private sector for the fourth successive month.

Despite a faster rise in new orders, backlogs of work dipped marginally in the German service sector. A number of survey respondents noted that they had sufficient spare capacity to meet both new and existing workloads. This contributed to cautious trends in staff hiring during October, with the latest survey pointing to an overall drop in workforce numbers for the first time since June, despite service providers reporting the strongest business outlook for six months. Manufacturing employment also fell in October, which meant overall private sector staffing levels decreased for the second time in the past three months.

A robust rate of input price inflation persisted across the service economy in October. However, strong competition for new work contributed to subdued

pricing power in the sector, as highlighted by output charges rising only fractionally over the month. Across the German private sector as a whole, cost inflation hit a 12-month high, while output charges increased slightly.

Comment:

Commenting on the final Markit Germany *PMI*[®] survey data, **Tim Moore, senior economist at Markit** and author of the report said:

“Service providers joined manufacturers in reporting solid expansions of both output and incoming new orders during October. Consequently, the latest survey indicates a continued improvement in the German economy at the start of the fourth quarter, with the pace of output growth broadly matching the trend seen throughout this summer.

“However, subdued employment trends during October highlighted a greater degree of caution in terms of job hiring within the German private sector. Latest data pointed to the most marked drop in staffing levels since June, largely reflecting a return to falling employment numbers across the service economy.”

-Ends-

For further information, please contact:

Markit

Tim Moore, Senior Economist
 Telephone +44-1491-461-067
 Email tim.moore@markit.com

Caroline Lumley, Corporate Communications
 Telephone +44-20-7260-2047
 Email caroline.lumley@markit.com
 Mobile +44-78-1581-2162

Notes to Editors:

The Germany Services *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of over 500 companies based in the German service sector. The final Germany Services 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 78% of the replies used in the final data.

The Germany Composite *PMI*[®] is based on original survey data collected from a representative panel of 1,000 companies based in the German manufacturing and service sectors. The final Germany Composite 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 88% 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 Services Activity Index ⁽¹⁾	-0.2	0.7
Germany Composite Output Index ⁽²⁾	-0.1	0.5

Notes

1. 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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.

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 PMIs

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.

The intellectual property rights to the Germany Services PMI and Composite PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI[®] and *Purchasing Managers' Index*[®] are registered trade marks of Markit Economics Limited. Markit and the Markit logo are registered trade marks of Markit Group Limited.