

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 08:30 (UK Time) 21 August 2014

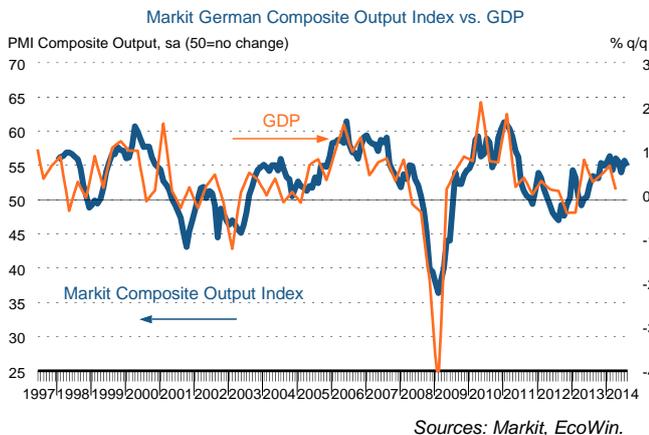
Markit Flash Germany PMI[®]

Output growth slows slightly as manufacturing loses momentum

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 54.9 (55.7 in July), 2-month low.
- Flash Germany Services Activity Index⁽²⁾ at 56.4 (56.7 in July), 2-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 52.0 (52.4 in July), 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 51.9 (53.8 in July), 14-month low.

Historical overview:



Summary:

The seasonally adjusted **Markit Flash Germany Composite Output Index** fell from July's 55.7 to 54.9 in August, signalling a strong, albeit weaker, expansion in German private sector output. Increased new work remained the main driver behind higher activity, according to panellists. The current sequence of continuous activity growth now stretches to 16 months.

The **service** sector remained the driving force behind the overall expansion, with the rate of activity growth remaining close to July's 37-month high. **Manufacturing** output growth meanwhile eased, and was the weakest since June last year.

New orders placed at German private sector firms rose further in August, with the pace of expansion

accelerating to the quickest in nine months. As was the case with output, there was some divergence by sector: service providers reported the sharpest rise in new business in over three years, while goods producers highlighted the slowest increase in new work since July last year.

August's survey results signalled a further round of **job creation** in Germany's private sector, extending the current period of employment growth to 10 months. The latest increase in staffing levels was the weakest in five months. Some companies hired additional workers in response to higher order intakes.

Overall **volumes of unfinished work** rose since July, ending a three-month period of falling backlogs. That said, the rate at which work-in-hand accumulated was marginal.

Input prices faced by German private sector companies rose further in August, but the rate of cost inflation eased to a four-month low. Some survey respondents reported that higher competition amongst suppliers led to the weaker rise, while increased raw material prices (especially for metals) and higher staff costs resulted in the overall rise in input costs.

Output prices rose for a fourteenth month running in August and the rate of charge inflation was largely unchanged since July and remained relatively muted.

Meanwhile, the latest survey data signalled bottlenecks developing in the goods producing sector, with **manufacturing firms** reporting a further lengthening in **suppliers' delivery times**. The rate of deterioration in vendor performance was the sharpest in more than three years.

German service providers lost some of their **optimism** in August. While the overall level of sentiment remained positive, the degree of optimism was the lowest in nearly one year. Some panellists linked lower future expectations to a weakening economy and the introduction of a minimum wage next year. Companies indicating optimism signalled forecasts of increased demand.

Comment:

Oliver Kolodseike, Economist at Markit and author of the Flash Germany PMI®, said:

“August’s flash results provide further encouraging news for Germany’s private sector, with output and new orders rising sharply. The PMI data available for the third quarter so far point to a swift recovery in GDP from the ground lost during the second quarter.

“However, the concern is the divergent trends within the economy, with the manufacturing sector losing further momentum. Production growth was the weakest in over a year and employment was cut for the third month running. Services is meanwhile taking up some of the weakness in manufacturing, highlighted by sharp increases in business activity and new orders.”

-Ends-

For further information, please contact:

Markit

Oliver Kolodseike, Economist
 Telephone +44-1491-461-003
 Email: oliver.kolodseike@markit.com

Joanna Vickers, Corporate Communications
 Telephone +44207 260 2234
 Email joanna.vickers@markit.com

Note to Editors:

Final August data are published on 1 September for manufacturing and 3 September 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 diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol “MRKT”. 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.

The intellectual property rights to the Flash Germany PMI[®] provided herein are owned by or licensed to 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. Purchasing Managers’ Index[®] and PMI[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.