

News Release

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

PMI signals weakest improvement in operating conditions since November 2013

Key points:

- Growth rates of output and new orders ease further, but remain marked
- New export orders rise at slowest pace since October 2013
- Companies reduce output charges in response to lower input costs

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

March saw a slower improvement in operating conditions at German manufacturers, as highlighted by the final seasonally adjusted **Markit/BME Germany Manufacturing Purchasing Managers' Index®** (PMI®) – a single-figure snapshot of the performance of the manufacturing economy – posting 53.7, down from 54.8 in February. Despite easing to a four-month low, the latest reading was above the long-run trend and rounded off the best quarter on average in almost three years.

Germany's manufacturing firms reported a further sharp increase in **production** during March. The pace of expansion eased again, but remained

marked overall, with more than one-in-three panel members indicating growth. **New orders** also rose at a sharp but weaker pace, stretching the current sequence of growth to nine months. Anecdotal evidence suggested that unusually mild weather and a generally positive economic outlook have boosted demand.

New export orders rose further during March, but the pace of expansion eased to a five-month low. The overall rise in new export business was driven by stronger demand from a wide range of countries, including China, Spain and the US.

Input costs fell again in March, with the rate of cost reduction accelerating to the quickest since last July. Survey participants attributed the drop to price negotiations, bulk orders and lower costs for some raw materials, including aluminium, copper and steel. With input costs falling, companies lowered their **output charges** for the first time in seven months.

Employment levels rose only marginally during March, with the vast majority of the survey panel reporting unchanged staff numbers. Meanwhile, **backlogs of work** accumulated further, although at the weakest rate since November, as slower new order growth took off some pressure on operating capacity.

In line with the trends for output and new orders, **purchasing activity** increased at a weaker rate in March. Input buying rose for the ninth month in succession, with the pace of expansion the slowest in four months. Concurrently, **stocks of purchases** fell, having increased for the first time in 30 months during February. Companies attributed lower stocks to deliberate efforts to reduce stocks and slower delivery times.

Meanwhile, **suppliers' delivery times** lengthened in March, as increased demand put pressure on operating capacity and stock at vendors.

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 goods producing sector lost some of its recently strong growth momentum in March, as highlighted by the headline PMI slipping to a four-month low. Output and new business orders rose at sharp, albeit weaker rates, adding evidence that the manufacturing upturn has moderated slightly. With employment growth edging closer to stagnation and export growth easing to a five-month low, the data signal that there might still be a few obstacles on the path to recovery.

“On the bright side, the current period of positive PMI readings now stretches to nine months, and despite weaker growth in March, the German manufacturing economy rounded off its strongest quarter in nearly three years.”

-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 March flash was based on 91% 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.

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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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