

News Release

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

German manufacturing PMI at highest level in nearly six years

Key findings:

- PMI rises to 69-month high as output surges
- Input price inflation strongest since May 2011
- Suppliers under most pressure since mid-2011

Data collected February 10-21

German manufacturing posted a strong performance in February with the best overall improvement in operating conditions since May 2011, according to the latest *PMI*® survey data from IHS Markit and BME. Growth rates for output, new orders, exports and purchasing all accelerated since January, and employment rose sharply. The latest findings also revealed the strongest increase in input prices since May 2011, linked to metals and oil-based materials.

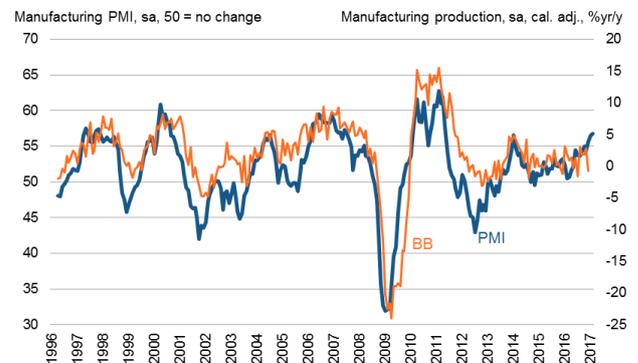
The headline Markit/BME Germany Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI rose from 56.4 in January to 56.8 in February, the highest since May 2011. The increase in the headline figure reflected the output, new orders and suppliers' delivery times components, while employment and stocks of purchases also made positive overall contributions. The current 27-month sequence of improving manufacturing conditions is the longest observed in over eight-and-a-half years.

Manufacturing new orders rose at the strongest rate in just over three years in February. Firms reported improved demand from both domestic and export markets, with both Europe and Asia mentioned as sources of growth. New export orders expanded at the fastest rate since January 2014.

Greater inflows of new work led to a sharper increase in manufacturing output in February. The

Markit / BME Germany Manufacturing PMI



Sources: IHS Markit, Bundesbank.

rate of growth was the strongest since January 2014. By sector, investment goods producers reported the fastest pace of expansion, followed by makers of intermediate goods. New work also led firms to boost employment, which increased at one of the fastest rates seen over the past five years.

Backlogs of work in the German manufacturing sector continued to increase in February. The rate of growth was among the strongest seen over the past three years. Firms partly fulfilled orders by drawing on existing stocks of finished goods, which declined at a quicker pace as a result.

Purchasing activity rose at a faster rate, one that was just shy of December's 67-month record. This contributed to the greatest lengthening in supplier delivery times since June 2011.

Inflationary pressures continued to build in February, with input prices rising at the fastest rate since May 2011. This was mainly linked to metals and oil-based materials. Meanwhile, prices charged by manufacturers increased at the strongest pace since June 2011.

The 12-month outlook for output remained firmly positive in February. Sentiment eased since January but was nonetheless the second-strongest since January 2014, linked to new products, new markets and wider economic growth.

Comment

Commenting on the final Markit/BME Germany Manufacturing PMI® survey data, **Trevor Balchin**, Senior Economist at IHS Markit said:

“The final manufacturing PMI for February was only a fraction lower than the flash estimate, confirming that the German goods-producing sector powered ahead in February with its strongest performance in nearly six years. Growth rates for output, new orders, exports and purchasing all improved, while capacity pressures were evident as backlogs were accumulated at a faster pace and suppliers’ delivery times lengthened markedly.”

“The February PMI results are in line with the latest IFO survey, which rebounded from a weak start to the year with a strong showing from manufacturing in particular.”

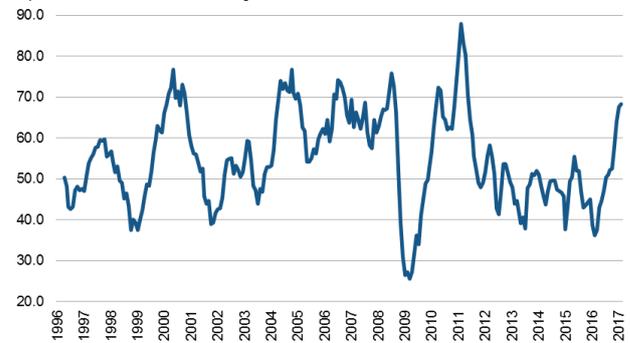
“The survey results suggest that manufacturing will contribute to a strengthening in overall economic growth in the first quarter. IHS Markit currently expects q/q growth of at least 0.6% in Q1, up from 0.4% in Q4 last year, and is forecasting a 1.9% rise in GDP over 2017 as a whole.”

“Inflationary pressures continued to intensify in February. The input prices index has risen continuously since February 2016, when it was signalling the sharpest fall in prices since mid-2009. The latest figure pointed to the strongest rate of inflation since May 2011, heavily linked to metals and oil-based materials. This fed through to output prices charged by manufacturers which rose at the fastest pace since June 2011.”

-Ends-

Input Prices Index

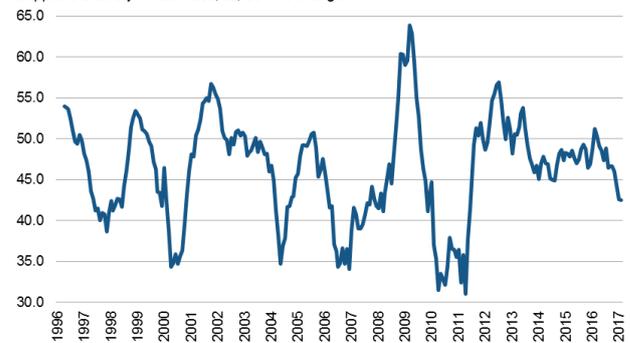
Input Prices Index, sa, 50 = no change



Source: IHS Markit.

Suppliers' Delivery Times Index

Suppliers' Delivery Times Index, sa, 50 = no change



Source: IHS Markit.

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Note to Editors:

The Germany Manufacturing PMI® (Purchasing Managers' Index®) is produced by Markit and is based on original survey data collected from a representative panel of over 400 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 February 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 Manufacturing PMI ³ | 0.0 | 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@ihsmarkit.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?"

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About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 30 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/product/pmi.

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