

News Release

Purchasing Managers' Index® MARKET SENSITIVE INFORMATION

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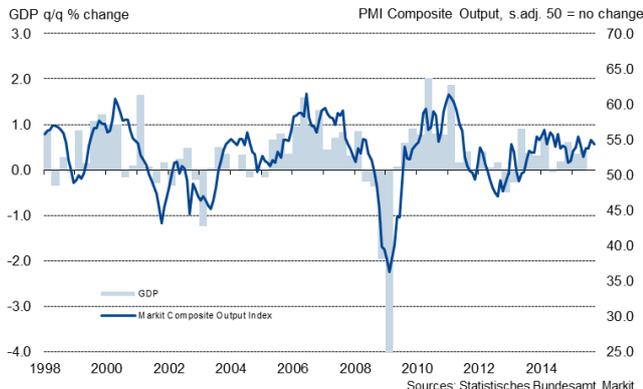
Markit Flash Germany PMI®

New orders and employment rise at stronger rates

Key points:

- Flash Germany Composite Output Index⁽¹⁾ at 54.3 (55.0 in August), 2-month low.
- Flash Germany Services Activity Index⁽²⁾ at 54.3 (54.9 in August), 2-month low.
- Flash Germany Manufacturing PMI⁽³⁾ at 52.5 (53.3 in August), 2-month low.
- Flash Germany Manufacturing Output Index⁽⁴⁾ at 54.2 (55.1 in August), 2-month low.

Historical overview:



Summary:

German private sector companies reported further growth of output at the end of the third quarter. The pace of expansion slowed slightly since August, but remained above the long-run series average. This was highlighted by the seasonally adjusted **Markit Flash Germany Composite Output Index** falling from 55.0 to 54.3. Nevertheless, the average reading for the third quarter as a whole was the best over a calendar quarter since Q3 2014. **Manufacturers** and **services providers** both reported slightly weaker growth of output.

Despite a marginally weaker rise in private sector activity, companies signalled accelerated growth of **new business** in September. The rate of increase was the most marked since November 2013, with

panellists commenting on a positive economic environment and improved demand from both the domestic and foreign markets. Manufacturers reported a second successive monthly rise in **new export orders**.

Following the trend that started nearly two years ago, private sector **employment** in Germany rose in September. Moreover, the rate of job creation accelerated fractionally since August and was the strongest since December 2011. Survey participants generally linked increased workforce numbers to higher business requirements.

Meanwhile, **business outstanding** rose for the second month running in September. The rate at which backlogs of work accumulated was the most marked in 52 months. According to anecdotal evidence, increased new orders and capacity pressures accounted for much of the latest rise in work outstanding.

Inflationary pressures eased slightly in September, with input and output prices both rising at weaker rates.

Input costs rose only marginally, with goods producers signalling the steepest drop in input prices since January. Manufacturers attributed the decline to lower prices for energy, oil and some raw materials. Meanwhile, service providers reported a further increase in input costs.

German **manufacturing companies** remained cautious about their stock policies in September, with both **pre- and post-production inventories** declining further. Meanwhile, **suppliers' delivery times** continued to lengthen, albeit only marginally.

Service sector companies reported **optimism** towards the 12-month outlook for activity in September. However, the level of positive sentiment fell from August's four-month high. Companies expecting activity to grow over the course of the next year commented on new customers, increased capacities and higher investments.

Comment:

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

“German private sector companies remained in expansion mode at the end of the third quarter, as highlighted by a further increase in output. Despite slowing slightly since August, the rate of growth was healthy overall and indicative of a further rise in gross domestic product in Q3.

“Digging a bit deeper into the data suggests that the German economy is set to grow further in the coming months. New orders rose at the strongest rate in almost two years, with companies benefitting from a positive economic environment and improved demand from both domestic and foreign clients. Moreover, the German jobs engine kept humming, as companies added to their payrolls at a rate not seen since December 2011. The fact that backlogs of work accumulated at the most marked rate for well over four years adds further to signs that companies will remain busy.

“Lower energy and oil prices meanwhile exerted downwards pressure on cost inflation, with input prices rising only fractionally. The data therefore suggest that consumer price inflation will remain low, at least in the short term.”

-Ends-

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Note to Editors:

Final September data are published on 1 October for manufacturing and 5 October 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 | 0.4 |
| Germany Manufacturing PMI ⁽³⁾ | 0.0 | 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

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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/economics.

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