

News Release

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

German Manufacturing PMI hits 18-month high in July

Key points:

- Solid expansion of output levels
- New orders rise marginally, despite drag from export demand
- Input costs fall at fastest pace for four years

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

July data highlighted an overall improvement in German manufacturing business conditions for the first time in five months. This was indicated by the seasonally adjusted final **Markit/BME Germany Manufacturing Purchasing Managers' Index® (PMI®)** rising to 50.7 from 48.6 in June. The earlier 'flash' reading for July was 50.3. Germany's final Manufacturing PMI reading was the highest for a year-and-a-half and signalled a modest upturn in overall operating conditions across the sector.

A solid expansion of production levels and rising volumes of new work were the main positive influences on the headline index in July. Latest data pointed to the most marked rise in output since February 2012, with consumer and intermediate goods producers registering the strongest performances.

Manufacturers indicated a moderate rebound in new business volumes in July, following a slight reduction during the previous month. The overall increase in new work was driven by a robust expansion of new orders received by consumer goods producers. Meanwhile, subdued export sales, especially to China and within the euro area, remained a drag on overall new business inflows. July data signalled that new export work decreased for the fifth successive month.

Backlogs of work were broadly unchanged in July, which suggested that the upturn in new work had placed little additional pressure on operating capacity. As a result, employment numbers were also close to stagnation across the manufacturing sector as a whole in July. Latest data showed that job creation at consumer and investment goods producers was offset by declines in employment at companies operating in the intermediate goods sector.

German manufacturers pointed to a further alleviation of pressure on suppliers' operating capacity in July, which in turn resulted in shorter delivery times for inputs. Average vendor performance has now improved in each of the past six months. Inputs bought by manufacturers increased fractionally in July, but pre-production inventories fell at the fastest pace since March. Meanwhile, stocks of finished goods increased for the first time in a year, which some survey respondents linked to expectations of greater client spending in the months ahead.

Lower levels of capacity utilisation at suppliers, and softer global demand for raw materials, contributed to a further sharp drop in German manufacturers' average cost burdens in July. Anecdotal evidence widely indicated that steel prices had decreased since June. The latest fall in average input prices was the steepest for four years, which in turn led to

a solid rate of price discounting by manufacturing companies in July.

Comment:

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

“Germany’s manufacturing sector saw a positive change of direction for overall business conditions in July, as solid output growth and a rebound in new orders cemented the strongest overall performance for a year-and-a-half.

“Improvements in the manufacturing sector were heavily linked to greater domestic spending, which stood in contrast to weakness evident abroad, as subdued demand from China and within the euro area kept new export work on a downward tilt.

“Consumer and intermediate goods producers saw the greatest rises in output volumes during July, while only the export-focused investment goods sector failed to achieve an expansion of production.

“Commodity price falls led to the steepest drop in manufacturers’ cost burdens for four years, and the supply-side picture was brightened further by vendor delivery times shortening for a sixth successive month in July.”

-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 July flash was based on 95% 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.

About Markit

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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.

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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