

## News Release

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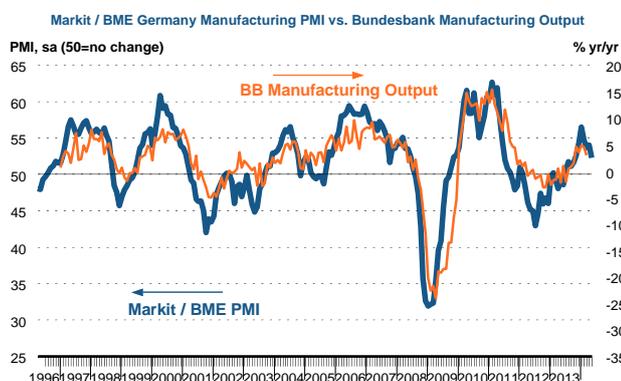
### Markit/BME Germany Manufacturing PMI® – final data

#### Manufacturing PMI drops to seven-month low as output and new orders rise at weaker rates

##### Key points:

- Output growth eases sharply, but remains above series average
- Order intakes increase at slowest pace since October last year
- Employment growth sustained, but rate of job creation only marginal

##### Historical overview:



Sources: Markit, BME, Bundesbank.

##### Summary:

May data pointed to the eleventh consecutive monthly improvement in manufacturing conditions in Germany, 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 above the neutral 50.0 threshold. At 52.3, down from 54.1 in April, however, the latest reading was the weakest since October last year, signalling slower growth in the sector.

The weaker headline PMI reading in May largely reflected slower growth rates of **output** and **new**

**orders**. Production growth eased markedly since April to a seven-month low, but was solid overall and remained above the long-run series average. Meanwhile, the growth rate of new work also fell to the weakest since last October. Some companies commented that new order growth slowed after mild weather had boosted demand at the beginning of the year, while a general positive economic environment was mentioned as a reason for the overall increase in new business.

**New export orders** also increased at a weaker rate in May. Nevertheless, new export business has now risen for 10 months in succession, the longest continuous spell of growth since mid-2011.

In line with weaker trends for output and new orders, the latest rate of **job creation** was the slowest in the current six-month period of employment growth, as some companies had to reduce their workforce numbers in response to slower new business growth. Meanwhile, **backlogs of work** fell for the first time in eight months, signalling some spare capacity in Germany's manufacturing sector.

**Input costs** fell further during May, with companies commenting on favourable exchange rates, successful price negotiations and lower costs for some raw materials. The latest reduction in input costs was the weakest in three months. Concurrently, German manufacturers raised their **output charges**, albeit only slightly overall.

**Purchasing activity** rose for an eleventh month running during May, but the pace of expansion eased to the slowest since October last year.

German manufacturers remained cautious about their inventory levels, with both **stocks of purchases** and **stocks of finished goods** falling since the previous month. Meanwhile, **suppliers' delivery times** deteriorated at the fastest pace

since January. According to anecdotal evidence, vendors continued to struggle with larger inflows of new work, resulting in slower delivery times.

**Comment:**

Commenting on the final Markit/BME Germany Manufacturing PMI<sup>®</sup> survey data, **Oliver Kolodseike, economist at Markit** and author of the report said:

*“Germany’s manufacturing upturn lost some ground in May, with the final headline PMI dropping to a seven-month low. Output and new order growth eased markedly since April, which panellists commonly linked to production adjustments after exceptionally mild weather had boosted demand in the first few months of the year. Nevertheless, the average headline PMI reading for the second quarter so far is the second-highest in nearly three years.*

*“The combination of weaker trends for output and new orders plus falling backlogs of work fed through to the jobs market. Employment growth edged closer to stagnation in May, with some companies shedding staff in response to lower production requirements.*

*“The latest survey results are a reminder that sustainable strong manufacturing growth cannot be taken for granted and that there may still be some more obstacles on the path to recovery.”*

-Ends-

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**Notes to Editors:**

The Germany Manufacturing PMI<sup>®</sup> (*Purchasing Managers’ Index*<sup>®</sup>) 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 May 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 <sup>(1)</sup>	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](mailto: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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*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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](http://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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