

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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Markit Germany Services PMI[®] – final data (with Composite PMI[®] data)

Services activity rises at the quickest pace in nearly three years

Key points:

- Final Germany Services Business Activity Index⁽¹⁾ at 56.0 in May, up from 54.7 in April (35-month high).
- Final Germany Composite Output Index⁽²⁾ at 55.6 in May, down from 56.1 in April (2-month low).

Historical overview:



Summary:

Output and new orders at German service sector companies increased further during May, with the rates of expansion accelerating since the previous month. Meanwhile, the rate of job creation reached a three-month high and input and output prices both rose at sharper rates.

May data signalled a continuation of solid activity growth at German service providers, with the seasonally adjusted final **Markit Germany Services Business Activity Index** rising from April's 54.7 to 56.0 in May. The pace of expansion was the quickest since June 2011 and well above the long-run series average (52.9). Surveyed companies frequently linked higher output to increased order intakes. The reading followed an earlier 'flash' estimate of 56.4.

Concurrently, total private sector activity increased at a marginally slower pace, with the final **Markit Germany Composite Output Index** – which measures the combined output of the manufacturing and service sectors – falling from 56.1 in April to 55.6. The weaker overall reading reflected slower growth in the manufacturing sector. Meanwhile, private sector employment continued to increase in May, stretching the current spell of employment growth to seven months.

New orders at German service providers also rose at an accelerated pace in May, with the pace of expansion the quickest in six months. Sector data suggested that Hotels & Restaurants companies reported by far the steepest rise in new business, followed by firms operating in the Post & Telecommunication sub-sector. Panel members attributed the rise in new work to the securing of new clients. Some firms also mentioned stronger demand from UK and US markets.

The latest survey results pointed to further employment growth in Germany's service sector, with the rate of job creation accelerating to a three-month high. Around 16% of the survey panel signalled a rise in workforce numbers and commonly attributed this to increased demand.

With employment rising, service sector companies were able to further reduce their backlogs in May. The rate at which work-in-hand decreased was largely unchanged since April and indicative of a modest fall in work outstanding.

Input prices faced by German service providers rose at the steepest rate in six months during May, with companies commenting that staff costs continued to rise. The sharpest increase in costs was reported by companies operating in the Hotels & Restaurants sub-sector. In response to a sharper rise in input costs, service providers raised their output charges to the largest extent since February.

May data signalled further optimism in Germany's service sector, with around 29% of surveyed companies expecting activity to increase over the next 12 months. Positive sentiment was linked to higher order intakes, strong economic growth and resilient consumer confidence.

Comment:

Commenting on the final Markit Germany *PMI*[®] survey data, **Oliver Kolodseike, economist at Markit** and author of the report said:

"May's final PMI results provide further encouraging news for Germany's service sector, with activity rising at a rate not seen in nearly three years. The combination of increasing order intakes, rising employment and ongoing spare capacity are supportive of hopes that strong service sector growth can be sustained in the coming months.

"The manufacturing sector meanwhile suffered a slide in the pace of growth in May, resulting in a slight easing in the overall rate of private sector output growth. Nevertheless, the average for the second quarter so far is the strongest since early-2011 and suggests that another quarter of solid GDP growth is on the table."

-Ends-

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Notes to Editors:

The Germany Services *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of over 500 companies based in the German service sector. The final Germany Services 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 75% of the replies used in the final data.

The Germany Composite *PMI*[®] is based on original survey data collected from a representative panel of 1,000 companies based in the German manufacturing and service sectors. The final Germany Composite 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 85% 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 Services Activity Index ⁽¹⁾	-0.2	0.7
Germany Composite Output Index ⁽²⁾	-0.1	0.5

Notes

1. 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?"
2. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

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.

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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.

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