

News Release

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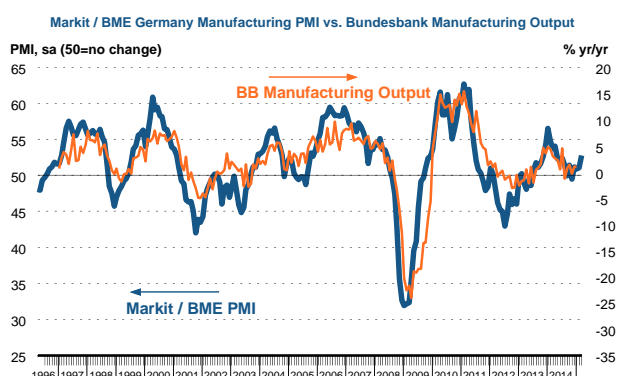
Markit/BME Germany Manufacturing PMI® – final data

PMI hits 11-month high in March

Key points:

- Production and new order growth accelerate amid improving economic environment
- Companies continue to expand their workforce numbers
- Weakest fall in input prices since last August

Historical overview:



Sources: Markit, BME, Bundesbank.

Summary:

German manufacturing companies reported a further improvement in operating conditions at the end of the first quarter. This was 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 – remaining above the crucial 50.0 threshold. At 52.8 in March, up from 51.1 in February, the index reading was indicative of the most marked improvement since April 2014.

The improvement in the headline PMI was driven by a sharp rise in **production** in March, with the rate of expansion the strongest in nearly one year. Sector data suggested that investment and consumer

goods producers signalled sharper expansions in output than intermediate goods manufacturers.

The amount of **new orders** received by German manufacturers also increased at an accelerated rate in March. Survey participants commented that an improving economic environment and stronger demand from both domestic and foreign markets accounted for much of the rise in total new orders. Where companies noted an increase in **new export business**, they partly linked this to the weak euro.

Higher production requirements and increased order intakes encouraged German manufacturers to increase their **payroll numbers** further in March. The rate of job creation remained relatively muted, however, despite reaching a three-month high. Meanwhile, **backlogs of work** accumulated for the second successive month, signalling ongoing pressure on operating capacity in the sector.

Input costs continued to fall in March, but the rate of reduction was much weaker than in February and only marginal overall. While low oil prices remained the main drag on inflation, increased import costs (resulting from a weak euro) exerted some upward pressure on input prices. Moreover, companies raised their **selling prices** for the first time since last October.

With output and new orders rising at stronger rates, manufacturers raised their **purchasing activity** for the first time in five months during March. However, higher business requirements also resulted in a further decline in **stocks of purchases**. **Post-production inventories** also fell on the month, with the rate of reduction the strongest in more than two years.

As has been the case since August 2013, **vendor performance** deteriorated in March. The rate at which average lead times lengthened was the most marked in three months.

Comment:

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

“The upturn in Germany’s manufacturing sector gained further momentum in March, with the PMI reaching its highest level in nearly a year. The combination of increased order intakes and rising backlogs meant that manufacturers scaled up production to the greatest extent since last April and also continued to add to their payrolls.

“The recent depreciation of the euro meanwhile helped manufacturers to obtain new contracts from external markets, but at the same time also increased companies’ import costs. Consequently, input prices fell at a much weaker rate than in the previous two months, when companies had benefited from the slump in the oil price.

“Overall, manufacturing looks set to have a positive contribution to first quarter GDP, with the average PMI reading for the opening three months of the year the best since the second quarter of 2014.”

-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 March flash was based on 86% 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⁾ | 0.0 | 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@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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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.

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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