News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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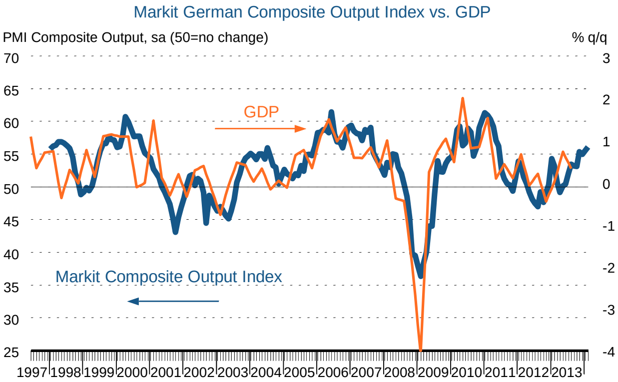
Markit Flash Germany PMI®

Growth in Germany's private sector accelerates in February

Key points:

- Flash Germany Composite Output Index(1) at 56.1 (55.5 in January), 32-month high.
- Flash Germany Services Activity Index(2) at 55.4 (53.1 in January), 3-month high.
- Flash Germany Manufacturing PMI(3) at 54.7 (56.5 in January), 2-month low.
- Flash Germany Manufacturing Output Index(4) at 57.6 (60.4 in January), 3-month low.

Historical overview:



Sources: Markit, EcoWin.

Summary:

Germany's private sector firms reported a further solid rise in activity in February, with the seasonally adjusted **Markit Flash Germany Composite Output Index** posting a 32-month high of 56.1, up from January's reading of 55.5. The current sequence of activity growth now stretches to 10 months.

Manufacturing companies signalled an easing in the pace of production growth in February, although the latest expansion was still among the steepest seen since early 2011. Increased order intakes was the primary driver for the latest rise in output, according to panel members. Meanwhile, **service providers** reported the sharpest rise in activity since November.

New orders placed at German private sector firms rose again in February and at the quickest pace in three months. Anecdotal evidence suggested that rising inflows of new work were linked to increased demand from both domestic and foreign markets and unusually mild weather. Concurrently, manufacturers saw **new export orders** rising at the second-sharpest rate in almost three years, with the US, Asia, the Middle East, Poland and Russia mentioned as sources of growth.

Capacity pressures continued to build during February, with **backlogs of work** rising for a fifth month running. The rate of backlog accumulation eased, however, to the weakest since last October. Pressures on operating capacity, meanwhile, spurred **job creation**, resulting in the steepest increase in workforce numbers since January 2012. While service providers signalled a solid rise in staffing levels, workforce numbers in the goods producing sector were unchanged from January.

Average cost burdens continued to build in February, but the rate of inflation inched down since January to a six-month low. A drop in input costs at manufacturers was more than offset by rising input costs in the service sector. Some companies linked higher cost pressures to increased staff costs. Germany's private sector firms passed higher input prices on to clients, which was highlighted by a further rise in **output prices**. Charge inflation eased slightly since the previous month, but remained above the long-run series average.

In line with the trends for output and new orders, German manufacturing companies reported higher **purchasing activity** in February. The latest expansion was robust and among the sharpest in the past three years. Concurrently, **stocks of purchases** accumulated for the first time in two-and-a-half years. Service providers, meanwhile, expect **business activity** to increase over the coming 12 months. The level of positive sentiment reached a near three-year high, with survey respondents commenting on increased export business, higher business activity and improving economic conditions.

In conjunction with

compiled by markit

Comment:

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

"The economic upturn in Germany's private sector gathered further momentum in February, with business activity rising at the quickest pace in 32 months. Survey data for 2014 dovetails nicely with the expectations of government statisticians, who recently raised their growth forecast for the German economy to 1.8%.

"Encouragingly, the service sector moved up a gear, with output and new orders rising at sharper rates than seen in previous months, adding signs to a broad-based and healthy economic upturn. While manufacturing lost some of its recent momentum, production growth in the sector remained sharp and inflows of new work continued to increase at a robust pace, which was partly attributed to relatively mild weather in February.

"The recovery in the eurozone's largest economy is looking more and more sustainable, underpinned by the strongest rate of job creation in just over two years."

-Ends-

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Note to Editors:

Final February data are published on 3 March for manufacturing and 5 March 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)	0.1	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 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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