

Germany

Flash PMI signals further growth acceleration at end of first quarter

- **'Composite' PMI rises to eight month high**
- **Growth accelerates in manufacturing and services**
- **Strong momentum bodes well for 2015 economic growth**

Growth in the euro area's largest national economy picked up momentum at the end of the first quarter in a broad-based improvement in business conditions.

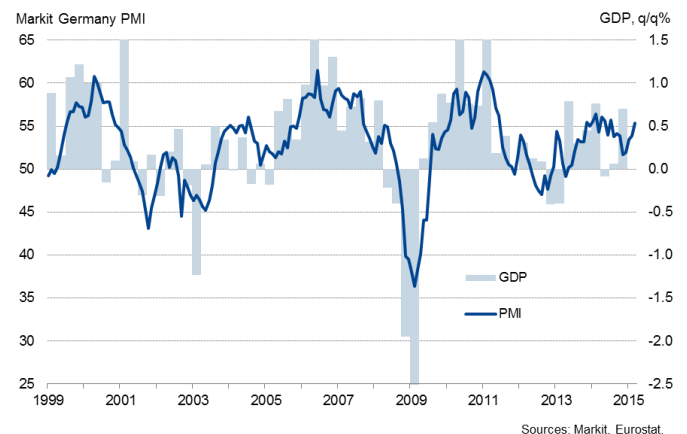
Markit's PMI data showed the German economy growing at its strongest rate for eight months in March. The PMI covering both manufacturing and services jumped from 53.8 in February to 55.3 in March, according to the 'flash' estimate, signalling an acceleration of growth for the fourth successive month. Growth accelerated in both sectors, with manufacturing seeing an especially sharp acceleration of factory output to balance out what was previously a services-led recovery. Manufacturing output grew faster than services activity for the first time since April of last year.

The survey data indicate that GDP will have risen 0.4% over the first quarter. However, the March reading on its own is consistent with GDP expanding at a quarterly rate of 0.6%, boding well for growth momentum moving into the second quarter.

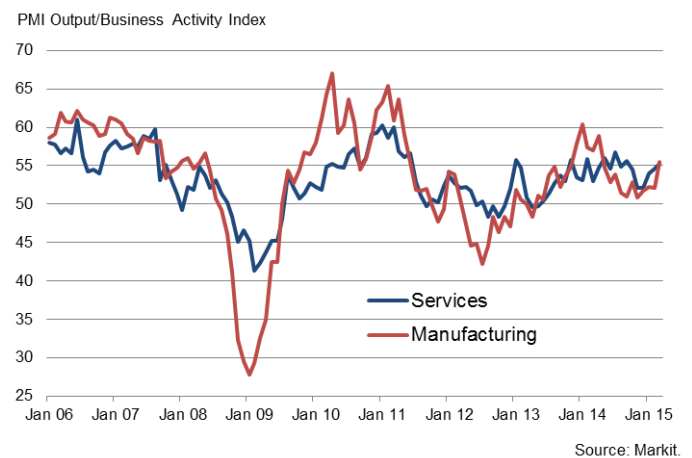
Official data showed GDP rising 0.7% in the final quarter of 2014, greater than the 0.2-3% rise that had been signalled by the PMI, which is something we ascribe to the official data being buoyed after readings in the summer had been distorted by temporary factors (see our note from last year for further details). The improvement in the survey data in recent months therefore points to an upturn in the underlying rate of economic growth in Germany.

In its latest (January) World Economic Outlook, the IMF expected the German economy to grow by 1.3% this year, a prediction that is now looking too pessimistic in the light of the improving survey data, with growth in the region of 2% now looking more likely.

German economic growth and the PMI



Manufacturing and services



Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

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