

Germany

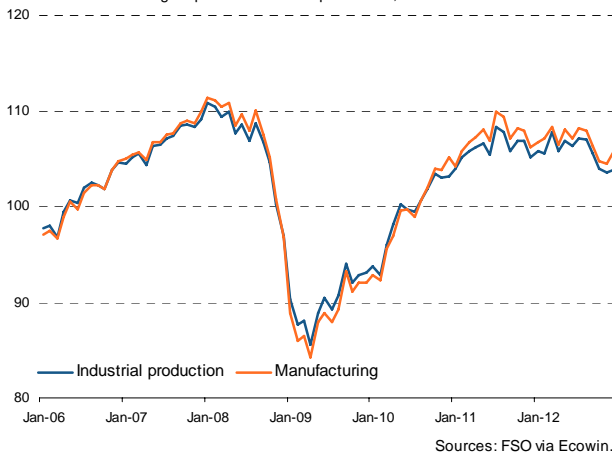
Production rise adds to signs of industrial downturn easing in February

- Industrial production and manufacturing output rise after steep falls in January
- Imports fall at faster rate than exports pushing trade surplus higher
- Data add to signs of GDP falling at reduced rate in Q1

Downward trends in manufacturing output, industrial production and exports have eased in recent months, adding to signs that the German economy is set to see a weaker downturn in the first quarter compared to the steep 0.6% decline seen in the fourth quarter of last year. However, the official data need to improve further in March to catch up with the more positive-looking PMI surveys. The latter are signalling an increase in GDP of approximately 0.2-0.3% in the first quarter.

Industrial production and manufacturing output

German manufacturing output and industrial production; 2005 = 100



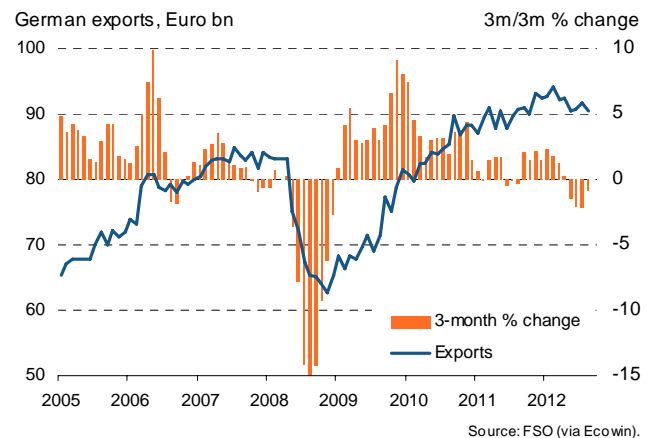
Manufacturing output rose 0.4% in February, but a 1.1% decline in January still leaves production in the latest three months 0.2% down on the prior three months. However, that is a big improvement in the 2.4% fall seen in the final three months of last year, suggesting the manufacturing sector's decline has eased so far this year.

The wider measure of industrial production also rose, up 0.5% after a 0.6% fall in January. At -0.8%, the rate of decline in the latest three months has eased sharply from the 2.6% decline seen in the fourth quarter.

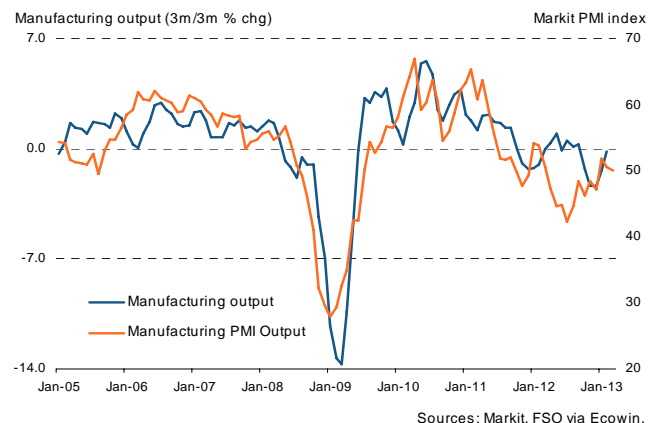
Separate data showed Germany's trade surplus rising from €15.63bn in January to €17.13bn in February, its highest since last August, as imports fell faster than exports. Exports fell 1.5%, more than reversing a 1.3% increase seen in January, while imports dived 3.8% following a 3.3% gain in January.

The change over the latest three months, which irons out some of the volatility in the data, shows exports falling 0.8% in the three months to February compared with a 2.0% fall in the fourth quarter, suggesting the underlying trend is one of an easing rate of decline. This corresponds with PMI survey data, which have shown the manufacturing export trend improving in recent months compared to late last year.

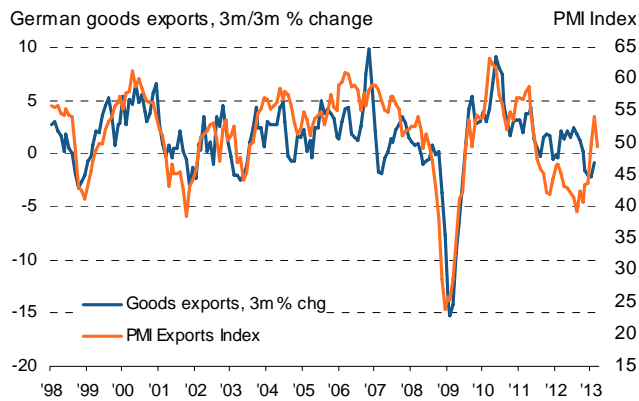
Exports



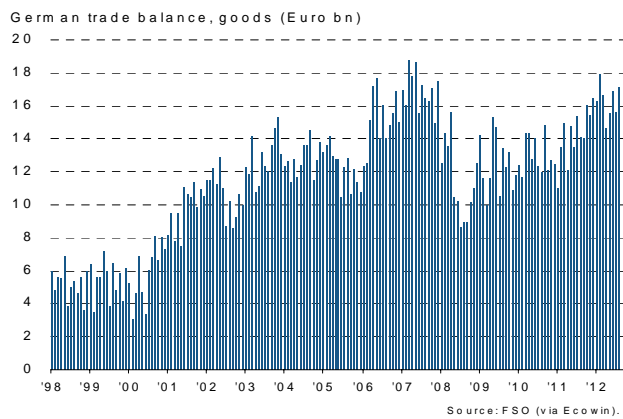
Manufacturing output and the PMI



Exports and the PMI



Trade surplus



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