

German GDP

Recession in Germany deepens as GDP contracts at record rate in Q4

Official figures released on 13th February indicated that German GDP fell by 2.1% q/q in the final three months of 2008, following a 0.5% q/q contraction in the July-September period. This pointed to a deepening of the recession that began in Q2 2008, with the rate of decline accelerating sharply to its fastest since reunification.

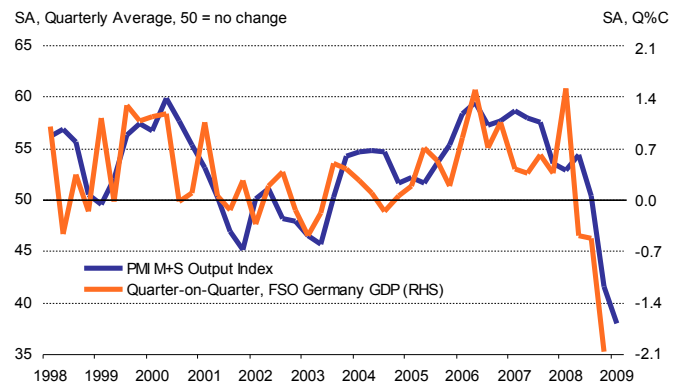
The unprecedented downturn in the German economy chimes with the extreme weakness shown in advance by the Markit Composite PMI Output Index. The average reading in Q4 2008 (41.6) was much lower than in the previous quarter and by far the lowest in the history of the series. The chart to the right illustrates the close relationship between Markit Germany PMI data and official GDP figures. In January 2009, the Markit Composite PMI Output Index hit a new record low and indicated that the German economy remained deep inside recession territory. However, the month-on-month fall in the index was the smallest for six months, providing a glimmer of hope that the downturn will begin to stabilise in the first quarter of the year.

German PMI data clearly indicate that the manufacturing sector bore the brunt of the downturn in Q4 2008, largely as a result of steep declines in intermediate and investment goods production. The relative performances of the German manufacturing and service sectors are illustrated in the chart to the right. PMI data pointed to an unprecedented plunge in manufacturing output during the final three months of last year, which was later borne out by comparable official figures. On average in Q4 2008, service sector business activity fell at the fastest rate for five-and-a-half years, but PMI data suggest that the rate of contraction was considerably slower than in the manufacturing economy.

Flash PMI data for February, covering manufacturing and services, will provide the next insight into the performance of the German economy in Q1 2009. The figures will be released on 20th February. To find out how to receive data for the Flash German PMI, please contact economics@markit.com.

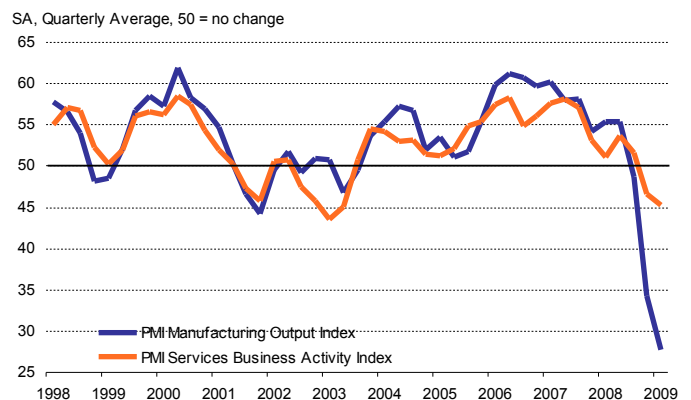
Composite PMI Output Index and official German GDP

Note: includes PMI data for January 2009



Germany Manufacturing and Services PMI data

Note: includes PMI data for January 2009



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