News Release

MARKET SENSITIVE INFORMATION
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Markit Eurozone Services PMI – final data

Activity and new business rose slightly for first times since May 2008, but job losses accelerated. Confidence at 44-month high

Key points:

- Business activity increased slightly and to greater extent than flash estimate.
- New work also returned to growth and business confidence hit a 44-month high…
- …but job losses accelerated.

Output and demand

Growth of the Eurozone service sector was recorded for the first time in 16 months in September. After rising in each of the past six months, the final **Markit Eurozone Services Business Activity Index** climbed to 50.9, up from 49.9 in August, its highest level since April 2008. The final reading was above its corresponding flash estimate (50.6) for the eighth month running.

The headline activity index is based on a single question asking companies to report on their actual business activity levels (or output) at mid-month compared to the previous month. Over Q3 2009 as a whole, the average reading of the headline index was the highest since Q2 2008 – the quarter prior to the onset of the downturn.

The expansion in activity during September was led by France and Germany. France was the strongest performer, seeing activity rise for the first time in a year and at the fastest pace since March 2008. German services activity rose for the second month running, although the rate of expansion was slower than in August and weaker than the flash estimate.

Marked disparities remained between the performances of the big-two nations and the rest of the euro area. Reductions in activity were again recorded in Italy, Spain and Ireland. Ireland registered the steepest contraction and was the only nation to post a quicker pace of decline than in August. The rate of contraction was the weakest for a year in Italy and the slowest in the current 21-month period of decline in Spain.

September also marked the return to growth of **new business** to Eurozone service providers. The level of new work received increased for the first time since May 2008. The rate of growth was in line with the modest expansion signalled by the flash estimate and reflected gains in France and Germany. The big-two recorded back-to-back increases in new work received, with rates of expansion improving to an 18-month high in France and a 14-month high in Germany. Italy, Spain and Ireland saw declines in new business. However, the rates of contraction were the weakest for a year in Italy, for 19 months in Spain and since April 2008 in Ireland.

Confidence

Business sentiment regarding activity in one year's time hit a 44-month high in September. The overall degree of optimism was above the series average, but slightly lower than the earlier flash reading.

Italian service providers were the most optimistic about levels of business activity in one year's time, with sentiment hitting a 40-month high. Sentiment in France was at its strongest since the beginning of 2004, with the month-on-month improvement in confidence amongst the greatest in the series history. Levels of confidence in France and Italy were also above their respective series averages. Although optimism in Germany was the lowest amongst the nations covered, and below that seen in August, it also remained above its long-run trend.

Capacity and employment

After easing to its weakest in nine months in August, the rate of **job losses** in the service sector accelerated in September and was noticeably steeper than the earlier flash estimate. Employment has now fallen for 15 successive months. Faster rates of decline were reported in France, Italy and Ireland, while the gain signalled last month in Germany was reversed during the latest survey period. Although the rate of decline in Spain eased to an 11-month low, it remained faster than the euro area average.

Outstanding business fell for the nineteenth month running in September, with the rate of contraction the weakest for a year. However, this mainly reflected a substantial easing in the rate of decline in France, as faster reductions in outstanding work were registered for Germany, Spain and Ireland.

Prices

September data indicated that price pressures remained on the downside in the Eurozone services economy, as **input costs** and **output charges** both declined over the month. Input prices fell for the eighth month running and at a slightly faster pace than in August. Costs fell in Germany, France and Ireland, but continued to increase in Italy and Spain. Charges were reduced for the eleventh month running, with all of the nations covered reporting declines. The rates of deflation for both input costs and output prices were steeper than those signalled by the flash data.

Comment:

Commenting on the final Eurozone Services PMI data, **Markit Chief Economist, Chris Williamson** said:

"The Eurozone service sector has broken its fifteen-month spell of contraction, showing a return to growth in September. Although the rise was only very modest, signs that the recovery has spread from manufacturing to services add to hopes that the upturn can become self-sustaining. In this respect it is also encouraging to see the confidence index rising to the highest since the start of 2006 as service companies grew increasingly optimistic that business will continue to improve over the coming year."

-Ends-

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Notes to Editors:

The Eurozone Services PMI (Purchasing Managers' Index) is produced by Markit Economics and is based on original survey data collected from a representative panel of around 2000 private service sector firms.

The **final** Eurozone Services PMI follows on from the **flash** estimate which is released a week earlier and is typically based on approximately 75-85% of total PMI survey responses each month. The September flash was based on 79% 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
Eurozone Services Business Activity PMI	0.0	0.4

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.

About Markit
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About Markit Economics
Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 26 countries and key regions including the Eurozone and BRIC. The PMIs have become 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.