

News Release

MARKET SENSITIVE INFORMATION
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Markit Eurozone Manufacturing PMI – final data

PMI signals first improvement in business conditions in 17 months in October, but growth disparities widen between euro nations

Key points:

- Final PMI confirms flash reading; above 50 'no change' level for first time in 17 months.
- Output expands at fastest pace for 21 months, posting third successive monthly rise.
- Surge in French growth to 9-year high contrasts with falling output in Spain, Ireland and Greece.

Summary:

At 50.7, up from 49.3 in September, the **final Markit Eurozone Manufacturing PMI**® for October was unchanged on the flash estimate to confirm the first improvement in business conditions since May of last year. The PMI is a composite index based on measures of output, orders, employment, inventories and supplier performance, and the improvement in the indicator, albeit marginal, marked an end to what has been by far the longest and deepest downturn since PMI data were first collected in 1997.

Output increased for the third month running in October, rising by slightly less than the flash estimate but nevertheless signalling the strongest monthly expansion since January of last year. However, output disparities widened within the euro area.

French manufacturers reported a further marked acceleration in output growth to outperform all other euro nations by a wide margin, recording the fourth consecutive monthly rise in production and the fastest rate of increase for just over nine years. Germany saw the second strongest growth, as output rose at the fastest pace since June of last year, closely followed by Austria and the Netherlands, which both likewise saw growth accelerate during the month. In contrast, output fell in Spain, Ireland and Greece.

Producers of **investment goods** (plant and machinery etc.) and **intermediate goods** (products supplied as inputs to other manufacturers) saw the strongest growth of production, recording the largest monthly gains for 19 and 23 months respectively. Output of **consumer goods** rose only modestly by

comparison, though nonetheless registered a third successive monthly increase.

Eurozone manufacturing **new orders** rose by marginally more than estimated by the earlier flash reading, showing the largest monthly rise since August 2007. France and Germany reported considerably stronger increases in new orders than other countries, with growth hitting 35- and 26-month highs respectively. Only Spain, Greece and Ireland saw lower levels of new orders.

New **export** orders rose at a slower pace than total new orders, hampered by the strong euro, but nonetheless recording the largest increase since January of last year as manufacturers benefited from resurgent demand in many markets. The Netherlands, Germany, France and Austria all saw robust export order growth, but marked declines were seen in Spain, Italy and Greece.

Stocks of finished goods continued to fall at a steep pace, driving the new orders:inventory ratio up to a nine-year high and suggesting that output will need to rise further in coming months to make up for a shortfall of warehouse stock relative to sales. Inventories fell in all countries, led by Germany.

Employment fell slightly less sharply than indicated by the flash, falling for the seventeenth month running. However, the rate of job losses has eased sharply in recent months to the weakest for a year. Staffing levels fell in all countries covered by the survey, but rates of decline eased in Germany, France, Spain and Austria.

Outstanding work fell only fractionally, registering the smallest drop since backlogs began falling in April of last year, suggesting that operating capacity has been largely brought back into line with workloads. Robust increases in backlogs were even noted in France, Germany and Austria.

Manufacturers bought more inputs for the first time since May of last year, causing **suppliers' delivery times** to lengthen to the greatest extent since March of last year.

Input prices rose for the first time for a year, driven up by rising commodity prices and higher rates from suppliers as pricing power was regained for some products. The increase in prices was greater than the flash estimate as costs rose in Italy, France, Spain, the Netherlands, Austria and Greece. Input prices meanwhile continued to fall in Germany and Ireland, though at reduced rates.

Prices charged fell for the twelfth month in a row, though the decline was less than indicated by the flash estimate and the weakest since last November. Manufacturers in all countries reported lower selling prices, though rates of decline slowed in Germany, Spain, Ireland and Austria. Stronger rates of decline in the other countries largely reflected the need to offer discounts to stimulate sales.

-Ends-

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Note to Editors:

The Eurozone Manufacturing PMI (Purchasing Managers' Index) is produced by Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms.

The final Eurozone Manufacturing PMI follows on from the flash estimate which is released a week earlier and is typically based on approximately 85-90% of total PMI survey responses each month. The October flash was based on 95% 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 Manufacturing PMI	0.0	0.2

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

Markit is a leading, global financial information services company with over 1,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place.

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.

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