

## News Release

**MARKET SENSITIVE INFORMATION**  
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### Markit Eurozone Services PMI – final data

#### Growth of activity and new business at 25-month highs in December

##### Key points:

- Fastest rates of increase in activity and new business since November 2007.
- Confidence rises for first time in three months.
- Employment falls more sharply than indicated by flash data.

##### Output and demand

The final **Eurozone Services Business Activity Index** posted 53.6 in December, up from 53.0 in November. The index was slightly lower than the earlier flash estimate of 53.7, but confirmed that the rate of growth of euro area services was the fastest since November 2007.

The headline index is based on a single question asking the panel of 2,000 service providers to report on their actual business activity levels (or output) at mid-month compared to the previous month. Having risen in nine out of ten months since hitting a record low in February, the index has now remained above the neutral 50.0 mark for four successive months.

The base of the latest increase in activity was broader by nation, with ongoing expansions in France and Germany joined by a return to growth in Italy. France recorded by far the fastest rate of increase (albeit slower than in the previous month), followed by Italy – where activity rose at the quickest pace since October 2007. Growth in Germany strengthened to a four-month high. Although activity in Ireland declined for the twenty-third successive month, the rate of contraction eased further to its weakest since the beginning of that sequence.

However, there remained a marked disparity between the performance of Spanish services and the rest of the euro area. Spain was the only nation covered by the survey to record a faster contraction of activity than in November.

Growth of **incoming new business** was the fastest for 25 months in December, with the rate of expansion improving slightly compared to the earlier flash estimate. New orders have risen for four consecutive months. France (fastest growth since November 2007), Italy (28-month high) and

Germany all recorded higher levels of new work. Ireland and Spain saw new business decline, but at slower rates than in the previous month.

##### Confidence

Service providers remained highly **optimistic** in December regarding the outlook for activity in one year's time. The degree of confidence was also higher than in the previous month. Moreover, the gain in the business expectations index between its flash and final readings was the greatest since flash data were first compiled in January 2006.

Italian service providers were the most optimistic about the future in December, with confidence rising to a 43-month high. Optimism also improved in France, Spain, Ireland (21-month high) and Germany.

##### Capacity and employment

Further **job losses** were reported in the Eurozone service sector in December, extending the current period of reduction to one-and-a-half years. Although the rate of decline was the slowest since August, it was faster than the flash estimate for the second month in a row. All of the nations covered by the survey reported a reduction in staffing levels, with the weakest reduction in Germany and the steepest in Spain. Germany, France, Spain and Ireland all saw employment fall at slower rates than in November, whereas the pace of job losses in Italy was steeper. Some companies linked lower employment to cost control initiatives.

**Backlogs of work** declined for the twenty-second consecutive month in December. The rate of contraction was the weakest since March 2008 and slower than the modest pace signalled by the flash estimate. Outstanding business fell in Germany, Spain and Ireland, but at slower rates than in November. Meanwhile, backlogs rose in France and Italy (first increase since July 2007).

##### Prices

**Average costs** rose marginally in December for the first time since January, although the rate of increase was slower than the earlier flash estimate. Input

prices rose in Italy and Spain, were broadly unchanged in Germany, but fell in France and Ireland. Where higher costs were reported, these were generally linked to increased energy prices and salaries. Ongoing competition meant that **selling prices** continued to fall. Average charges declined for the fourteenth month running, albeit at the joint-second slowest rate during this period. This trend was reflected across all of the nations covered, with charges continuing to fall but at weaker rates than in November.

**Comment:**

Commenting on the final Eurozone services PMI

data, **Markit Senior Economist, Rob Dobson** said: *“Despite the final services PMI again coming in slightly below its flash estimate, the further improvement in its level month-on-month suggests that momentum in the recovery continued to gather pace. This is also supported by faster growth of new business and improved business confidence. However, the recovery is not being felt by all, and it is worrying to see Spain showing signs of a ‘double dip’ recession and lagging so far behind the other large euro area service economies.”*

-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 December flash was based on 76% 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	0.3

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.

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