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News Release

MARKET SENSITIVE INFORMATION
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Markit Flash Eurozone PMI

Eurozone recovery continues in January, but output growth slows

Key points:

- Flash Eurozone Composite Output Index(1) at 53.6 (54.2 in December). 6th increase in output.
- Flash Eurozone Services Business Activity Index(2) at 52.3 (53.6 in December). 5th increase in activity.
- Flash Eurozone Manufacturing PMI(3) at 52.0 (51.6 in December). 22-month high.
- Flash Eurozone Manufacturing Output Index(4) at 55.8 (55.1 in December). 6th increase in output.

Data collected between 12–20 January.

Summary:

The **Markit Flash Eurozone Composite Output Index**, based on around 85% of normal monthly survey replies, registered 53.6 in January, indicating an increase in private sector output for the sixth successive month. The index fell for the first time since bottoming out in February of last year, down from 54.2 in December, signalling a modest easing in the rate of expansion.

Manufacturing again led the upturn. Production of goods increased for the sixth month running, with the rate of growth accelerating to the fastest since August 2007. Service sector activity also continued to expand, up for the fifth month in a row, but the rate of increase slowed for the first time over this period. Expectations for the year ahead in the service sector nevertheless picked up, posting the second-strongest reading for four years.

New orders rose for the fifth successive month, increasing by only slightly less than December's 25-month peak. Manufacturers reported the largest increase in new orders since July 2007, with new export orders rising at a pace unchanged on December's 27-month high. Service sector new business rose for the fifth month running, but a modest slowing in the rate of growth meant expansion lagged further behind that seen in manufacturing.

Employment fell for the nineteenth straight month, although the rate of job losses eased to the weakest since October 2008. The slowing in the rate of decline was linked to rising new orders and resulting pressure on operating capacity; **backlogs of work** rose, albeit modestly, for the second month running and at the strongest pace since November 2007.

Manufacturing continued to report a steeper pace of job shedding than services, and even saw an increased rate of decline as firms sought further productivity gains. In contrast, the rate of decline slowed in services to show the second-smallest drop in just over a year.

Inventory levels continued to fall in manufacturing but at slower rates than in December: stocks of finished goods showed the smallest fall since March of last year, while stocks of purchases posted the weakest decline since October 2008. The ratio of manufacturing new orders to finished goods inventories remained elevated nonetheless, close to the near 10-year highs seen late last year and suggesting further output growth in coming months.

Manufacturers' purchasing of inputs showed the largest monthly rise for two years, causing delivery times to lengthen for the sixth month running. Producers' input prices rose at the fastest pace since September 2008, in line with this increase in demand. Service sector costs meanwhile showed the largest rise since November 2008, often linked to higher fuel costs. Measured overall, **input price** inflation rose to the highest since October 2008.

Prices charged continued to fall, however, as discounting to boost sales remained widespread. The fall in charges was identical to that seen in December, although far weaker than the pace seen a year ago. Charges fell in both manufacturing and services, with the latter seeing the steeper drop.

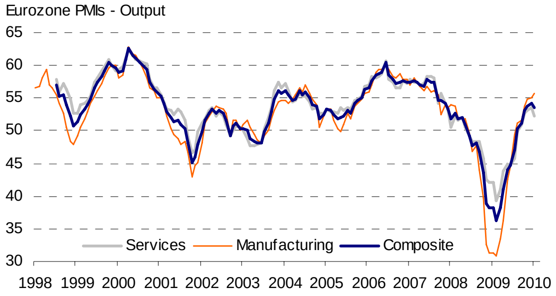
Commenting on the flash PMI data, **Chris Williamson, Chief Economist at Markit** said: "*The Eurozone started 2010 with signs of continued economic recovery. A slight easing in the rate of growth needs to be put in the context of the adverse weather that affected many businesses during the month. The rate of growth was also in line with the average seen in the final three months of last year, which was the strongest quarter for two years. Most encouragingly, the rate of job losses was the weakest for fifteen months.*"

-Ends-

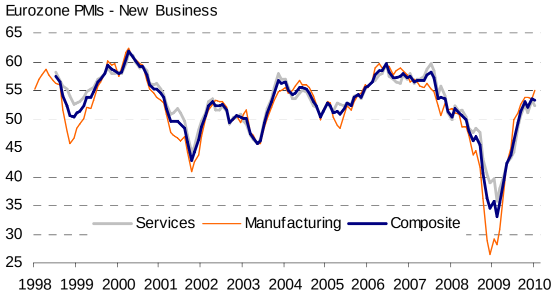
Summary of January data

Output	**Composite**	**Sixth consecutive month of expansion, but growth down slightly on December's two-year high (53.6 from 54.2 in December).**
	Services	Pace of growth moderates to weakest in four months (52.3 from 53.6 in December).
	Manufacturing	January sees production growth for sixth consecutive month and strongest pace of growth since August 2007 (55.8 from 55.1 in December).
New Orders	**Composite**	**Growth for fifth month running and pace of expansion broadly unchanged on December's two-year high.**
	Services	Slight weakening of growth from December's 25-month high.
	Manufacturing	Impressive rise in pace of growth to 30-month high.
Backlogs of Work	**Composite**	**Marginal rise in backlogs for second successive month.**
	Services	Marginal decline is the smallest since March 2008.
	Manufacturing	Pace of growth of backlogs accelerates to two-and-a-half year high.
Employment	**Composite**	**Pace of contraction of employment slows to weakest in 15 months.**
	Services	Nineteenth consecutive decline. Pace of contraction weakest in five months.
	Manufacturing	Further steep fall in manufacturing employment.
Input Prices	**Composite**	**Price pressures continue to build, with costs rising at sharpest pace in 15 months.**
	Services	Modest rise in costs is the sharpest since November 2008.
	Manufacturing	Purchase price inflation accelerates to 16-month high.
Output Prices	**Composite**	**Charges fall for fifteenth successive month. Rate of decline unchanged from December.**
	Services	Fifteenth consecutive decline, but rate of deflation the weakest since November 2008.
	Manufacturing	January saw fifteenth consecutive monthly decline in output prices.
PMI(3)	Manufacturing	PMI improves to 22-month high (52.0 from 51.6 in December).

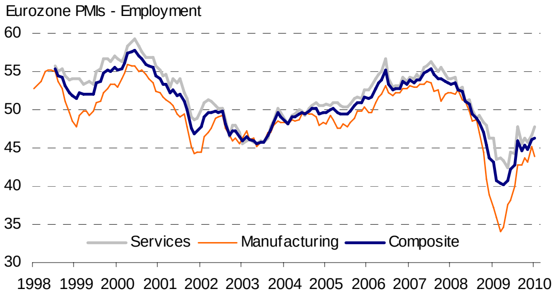
Output



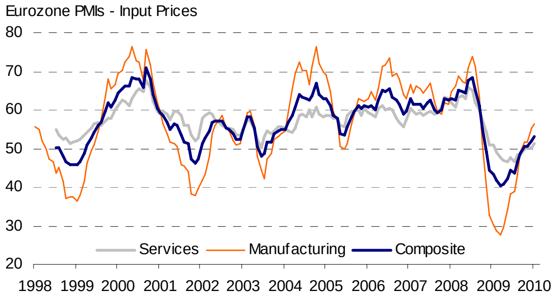
New business



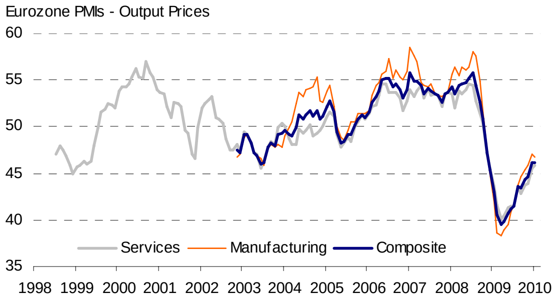
Employment



Input prices



Output prices



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Note to Editors:

Final January data are published on 1 February for manufacturing and 3 February for services and composite indicators.

The Eurozone PMI (Purchasing Managers' Index) is produced by Markit Economics and is based on original survey data collected from a representative panel of around 4500 companies based in the euro area manufacturing and service sectors. The flash estimate is typically based on approximately 85-90% of total PMI survey responses each month and is designed to provide an accurate advance indication of the final PMI 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 Composite Output Index[1]	0.0	0.2
Eurozone Manufacturing PMI[3]	0.0	0.2
Eurozone Services Business Activity Index[2]	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.

Notes

1. The Composite Output PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing PMI is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

About Markit
Markit is a leading, global financial information services company with over 1,400 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. For more information, see www.markit.com.

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.