

News Release

MARKET SENSITIVE INFORMATION
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Markit Flash Eurozone PMI

Manufacturing surge offsets slower growth in services

Key points:

- Flash Eurozone Composite Output Index⁽¹⁾ at 53.7 (53.7 in January). 7th increase in output.
- Flash Eurozone Services Business Activity Index⁽²⁾ at 52.0 (52.5 in January). 6th increase in activity.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 54.1 (52.4 in January). Highest since August 2007.
- Flash Eurozone Manufacturing Output Index⁽⁴⁾ at 56.9 (56.0 in January). 7th increase in output.

Data collected between 12–18 February.

Summary:

The **Markit Flash Eurozone Composite Output Index** for February, based on around 85% of normal monthly survey replies, was unchanged on January's level of 53.7, indicating an increase in private sector output for the seventh consecutive month. The rate of increase remained slightly weaker than December's peak, but continued to run at a pace not seen since late-2007. New orders also rose at an identical pace to January, which had seen the strongest gain since November 2007.

Conditions varied considerably by sector, however, with manufacturing output surging higher while growth slowed in the service sector.

Manufacturing output rose for the seventh month running, with the rate of growth accelerating to the fastest since April 2007. Manufacturing new orders and new export orders both increased at the fastest rates since February 2007. Firms reported improved demand arising from the weak Euro, which has fallen to its lowest level against the US\$ for almost nine months, as well as ongoing recoveries in demand in key export markets and the rebuilding of inventories by customers (the amount of goods purchased by producers rose at the fastest rate since July 2007 and the new orders-to-inventory ratio remained close to a ten-year high).

In contrast, **service sector** activity expanded only modestly in February, having less exposure than manufacturing to the stimulus created by rising international trade and the inventory cycle. Services activity increased for the sixth month in a row but

the rate of growth slowed for a second month running, following a similar trend in growth of incoming new business. Expectations for the year ahead in the service sector nonetheless remained buoyant, albeit down slightly from January.

Employment fell at the weakest pace since September 2008, the rate of job losses continuing the easing trend that has been evident over the past year. Furthermore, in a sign that job losses may slow further in coming months, **backlogs of work** rose for the third month running in February.

The pace of manufacturing job losses slowed particularly sharply, though manufacturers continued to see a steeper rate of decline than services. Both sectors saw employment post the smallest declines since late-2008.

With manufacturers restocking, suppliers' delivery times lengthened to the greatest extent since December 2006, helping drive a further acceleration in input price inflation to the highest since September 2008. Input prices in the service sector rose only marginally, in contrast, largely limited by weak upward pressure on staff pay rates. Measured across both sectors, **input price** inflation accelerated for the fourth successive month to the highest since October 2008.

Prices charged fell again, reflecting the fragility of demand, although the decline was the weakest since November 2008. Rates of decline eased in both manufacturing and services, with the latter again reporting the steeper drop.

Commenting on the flash PMI data, **Chris Williamson, Chief Economist at Markit** said: "A surge in growth of manufacturing, driven by rising exports and inventory rebuilding, offset a worrying slowdown in the already meagre rate of expansion seen in the service sector. So while the recovery continued, consistent with GDP rising by approximately 0.4% in Q1 so far, it was unbalanced and concerns persist about its sustainability. Inflationary pressures are meanwhile gathering in manufacturing supply chains, as shortages of key inputs are allowing suppliers to hike prices."

-Ends-

Summary of February data

Output	Composite	Seventh successive month of expansion, with growth unchanged from January (53.7 in February).
	Services	Pace of growth weakens for second month running to slowest since last September (52.0 from 52.5 in January).
	Manufacturing	Pace of growth of production accelerates for sixth month running to sharpest since April 2007 (56.9 from 56.0 in January).
New Orders	Composite	Growth for sixth month running and pace of expansion unchanged on January.
	Services	Slight weakening of growth to 3-month low.
	Manufacturing	Further pick up in pace of growth to strongest since February 2007.
Backlogs of Work	Composite	Marginal rise in backlogs was strongest in over 2 years.
	Services	Marginal decline in backlogs.
	Manufacturing	Pace of growth of backlogs accelerates to strongest since June 2007.
Employment	Composite	Pace of contraction of employment moderates for third month running to weakest since September 2008.
	Services	Twentieth consecutive decline. Pace of contraction weakest since October 2008.
	Manufacturing	Pace of decline moderates to weakest in 17 months.
Input Prices	Composite	Price pressures continue to build, with costs rising at sharpest pace in 16 months.
	Services	Prices rise marginally, but at weaker rate than in January.
	Manufacturing	Further acceleration in purchase price inflation to 17-month high.
Output Prices	Composite	Charges fall for sixteenth successive month. Rate of decline the weakest since November 2008.
	Services	Sixteenth consecutive decline, but rate of deflation the weakest since November 2008.
	Manufacturing	Decline in output prices was the weakest in the current 16-month period of deflation.
PMI⁽³⁾	Manufacturing	PMI picks up strongly to 30-month high (54.1 from 52.4 in January).

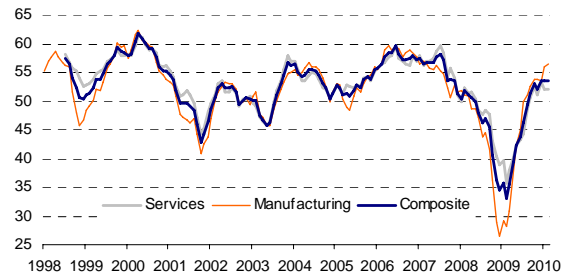
Output

Eurozone PMIs - Output



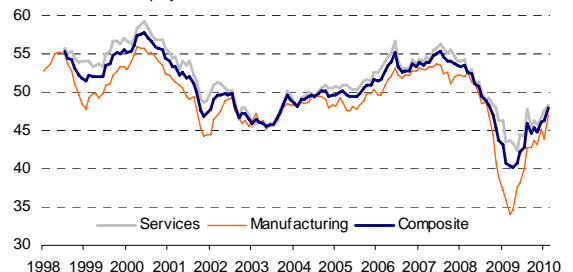
New business

Eurozone PMIs - New Business



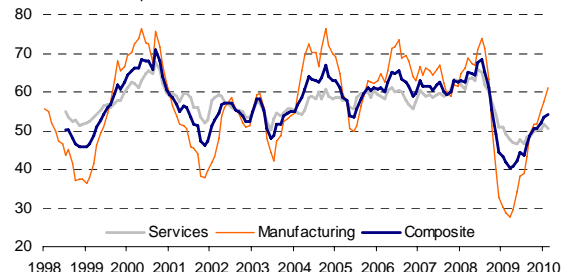
Employment

Eurozone PMIs - Employment



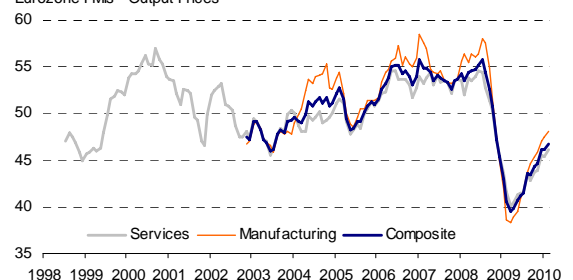
Input prices

Eurozone PMIs - Input Prices



Output prices

Eurozone PMIs - Output Prices



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Note to Editors:

Final February data are published on 1 March for manufacturing and 3 March 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

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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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