

News Release

MARKET SENSITIVE INFORMATION
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Markit Eurozone Services PMI – final data

Recovery in Eurozone service sector remained fragile in February

Key points:

- Eurozone services recovery lacked traction in February, as growth of activity slipped again.
- Rates of growth in business activity and new business fell below earlier flash estimates.
- Big-3 registered further growth, but downturns continued in Spain and Ireland.

Output and demand

The final **Eurozone Services Business Activity Index** posted 51.8 in February, down from 52.5 in January, to signal an increase in activity for the sixth successive month. However, the rate of growth was only modest and the weakest since last September. It was also below the earlier flash estimate.

The big-3 of **Germany, France and Italy** were the only countries covered by the survey to register an increase in services activity in February, with France recording the fastest growth for the sixth month in a row. However, in a further sign that the recovery in services is failing to gain the traction currently seen in manufacturing, rates of expansion eased across all three countries. Meanwhile, the downturns in **Spain and Ireland** continued. Spain registered an accelerated rate of decline, while Ireland posted a reduction in activity for the 25th month running (although the pace of contraction eased noticeably to its weakest during that period).

February data pointed to a sixth consecutive month-on-month rise in **new work received**. The rate of expansion remained only moderate and was slightly slower than that signalled by the earlier flash estimate. France recorded the fastest increase in new business, although the rate of expansion was well below that seen in the previous two months.

Germany and Italy were the only other nations to report increases in new business, but rates of growth for both were only marginal. Meanwhile, the level of new work received in Spain moved closer to stabilising, but in Ireland new business continued to drop at a solid pace.

Confidence

Optimism relating to levels of business activity in one year's time remained elevated in February, with all of the national service sectors covered by the survey registering positive outlooks. Although the overall degree of optimism eased from January's four-month high and was weaker than the earlier flash estimate, it was above its long-run average. Confidence was highest in Italy, followed by France and then Spain.

Capacity and employment

February pointed to a reduction in **employment** for the 20th month running. Although the rate of job losses was slightly quicker than the earlier flash estimate, it was confirmed as the weakest since October 2008. Germany reported an increase in staffing levels for the first time in four months, the only nation to signal an expansion.

Rates of job losses eased in France (15-month low), Italy (6-month low) and Spain (weakest since May 2008). Ireland reported by far the steepest rate of decrease, with the pace of job cutting accelerating over the month.

Meanwhile, **backlogs of work** at Eurozone service providers rose negligibly for the first time since February 2008 (contrasting with the fall signalled by the earlier flash estimate). Only France and Italy recorded a rise, with by far the sharpest increase registered in France.

Prices

Average input costs rose for the third straight month. The rate of increase was only marginal, albeit faster than the earlier flash estimate, as subdued wage pressures offset rising commodity and energy prices. France, Germany and Italy all reported higher costs. The rate of inflation reached a 15-month high in France, but eased in both Germany and Italy. Input prices continued to fall in Spain and Ireland.

Strong competition and fragile demand continued to prevent Eurozone service providers from passing on higher costs to their clients. February saw a reduction in **average charges** for the 16th month in

a row. The rate at which charges fell was the slowest since November 2008 and weaker than the earlier flash estimate. All of the national service sectors covered by the survey reported lower selling prices, but rates of decline varied. Reductions in Ireland and Spain were especially marked, reflecting the weakness of demand in these countries, and prices fell at a slightly increased rate in Germany, whereas rates of decrease in France and Italy were the weakest for 16-months.

Comment:

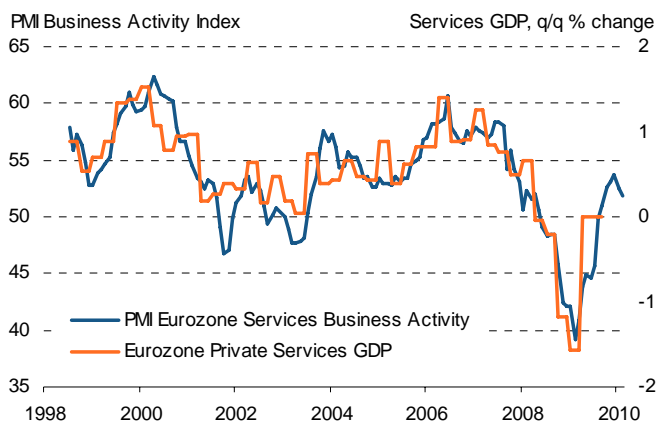
Commenting on the final Eurozone services PMI data, **Markit Chief Economist, Chris Williamson** said: *“The service sector is becoming an increasing*

source of concern in the Eurozone recovery story, with only France reporting any substantial growth in February, and even here the rate of expansion has eased sharply. Elsewhere, growth either slowed closer to stagnation or ongoing contractions were reported, with Spain seeing the steepest downturn.

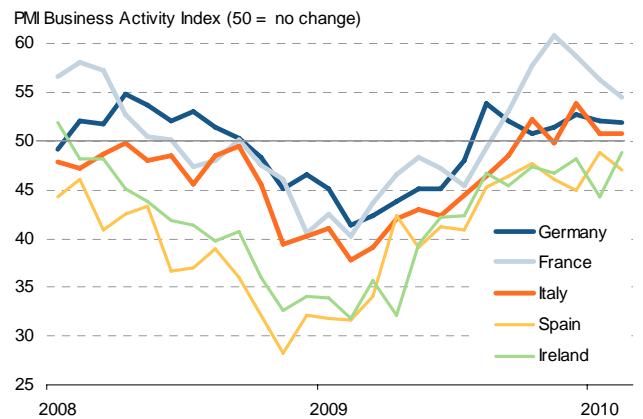
“Especially severe weather may still be subduing activity in the sector, but nonetheless services are clearly struggling to enjoy any spill-over benefits from the more robust growth we are currently seeing in manufacturing. GDP growth, and the sustainability of the upturn, are at risk from this renewed weakness.”

-Ends-

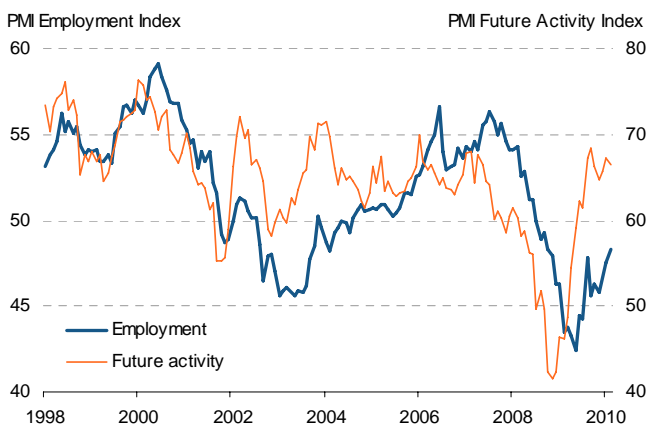
PMI data act as a good guide to service sector GDP, but signal only a fragile recovery



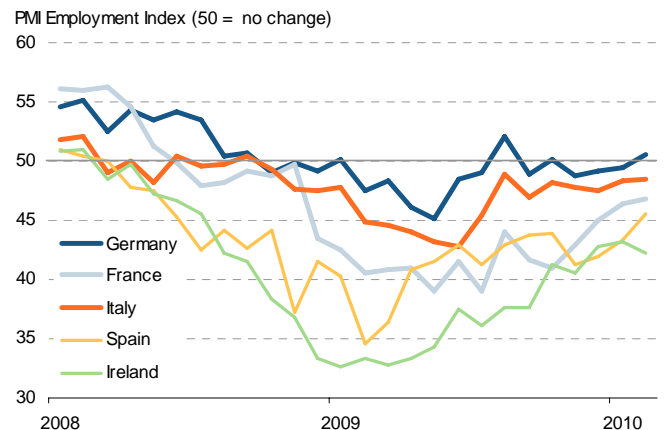
Business activity either fell or the rate of growth slowed in all countries



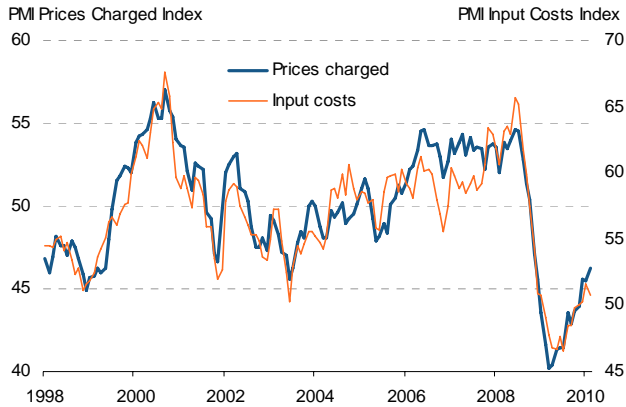
Improved business confidence has yet to translate into higher employment



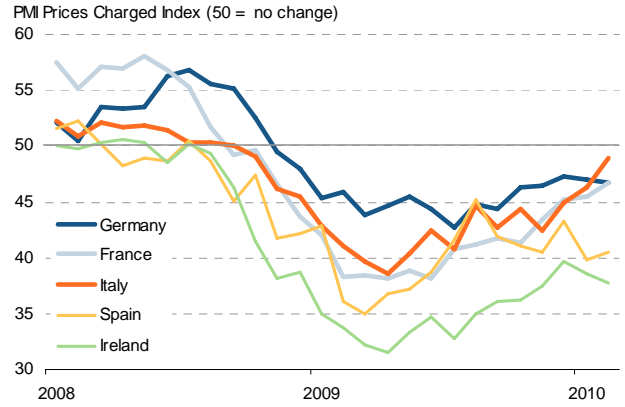
Only Germany saw any increase in employment, and even here the rise was only marginal



Subdued input cost inflation has helped keep service providers' prices down



Weak demand meant output prices continued to fall especially sharply in Spain and Ireland



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Notes to Editors:

The Eurozone Services PMI (Purchasing Managers' Index) is produced by Markit 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 February flash was based on 67% 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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