

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit Eurozone Retail PMI®

Eurozone retail sales flat as falls in France and Italy offset German gains

Key points:

- Retail sales growth in Germany hits 41-month high but France posts renewed contraction
- Decline in Italian sales accelerates for second straight month
- Eurozone retail employment rises for first time since August 2013, albeit only marginally

Summary of findings:

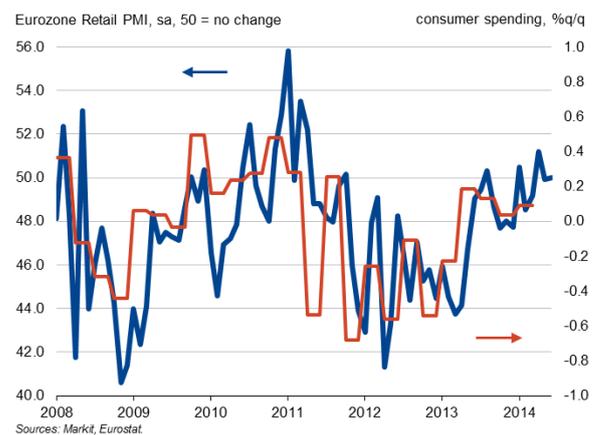
Retail sales in the eurozone were unchanged on the month in June, the latest *PMI*® data from Markit showed. There were marked differences in country-level trends, meanwhile, with a sharp and accelerated increase in sales in Germany contrasting with a renewed decline in France and a deeper downturn in Italy.

The Markit Eurozone Retail PMI – which tracks month-on-month changes in like-for-like retail sales – read 50.0 in June, little-changed from May's 49.9 and indicative of a flat trend in sales. Compared to the situation one year earlier, trade was down moderately during June, according to firms.

Commenting on the data, Phil Smith, economist at Markit which compiles the Eurozone Retail PMI survey, said:

“The latest retail PMI data show a flat trend in eurozone retail sales forming, a relative positive in the context of the recent prolonged downturn. The stagnation hides a growing divergence in country-level performance, however. The gap between Germany’s headline retail PMI and the average of those for France and Italy has increased throughout the second quarter to the widest for almost a year. Any hopes that consumer spending in France and Italy had turned the corner are looking a little premature.”

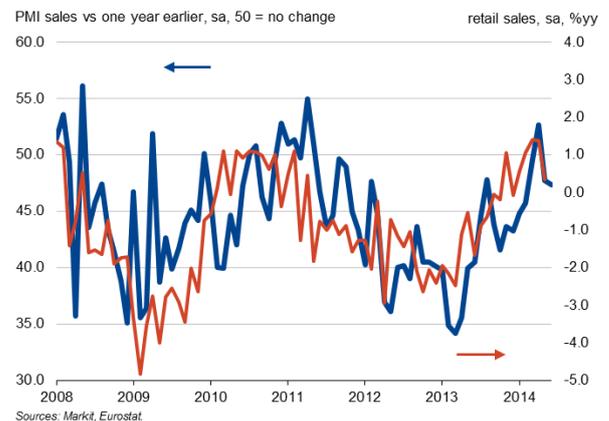
Eurozone Retail PMI



Retail PMI summary (June)

Eurozone	50.0	2-month high
Germany	56.2	41-month high
France	47.6	6-month low
Italy	43.8	4-month low

Eurozone retail sales vs. one year ago



Data summary:

Index	May-14	Jun-14	Description	Rate
PMI (Month-on-month sales)	49.9	50.0	No change	from contraction
Year-on-Year Sales	▼	▼	Contracting	faster
Sales vs Plans	▼	▲	Lower	slower
Expected Sales vs Targets	▼	▼	Higher	slower
Gross Margins	▼	▼	Contracting	faster
Purchase Prices	▼	▲	Rising	faster
Quantity of Purchases	▼	▲	No change	from contraction
Stocks of Goods	▼	▲	Expanding	faster
Employment	▲	▲	Expanding	change of direction

▲ Above 50, rising	▲ Below 50, rising	▲ At 50, rising
▼ Above 50, falling	▼ Below 50, falling	▼ At 50, falling

Source: Markit.

Eurozone retail sales were supported by continued growth in **Germany**, where trade rose sharply on the month and to the greatest extent for almost three-and-a-half years. In stark contrast, **France's** retail sector showed renewed weakness as sales there fell solidly, offsetting back-to-back marginal increases in the first two months of the quarter. Moreover, June's decrease was the sharpest so far in 2014. A deepening downturn was meanwhile seen in **Italy**, where the rate of decline in sales accelerated for the second straight month to the fastest since February.

At the aggregate level, retailers' **purchasing activity** followed the trend in sales and was unchanged in June after a fractional decrease mid-quarter. **Stocks of items for resale** meanwhile rose for the seventh straight month, and at the fastest rate since April 2011. This was largely due to sales being markedly lower than targets on average.

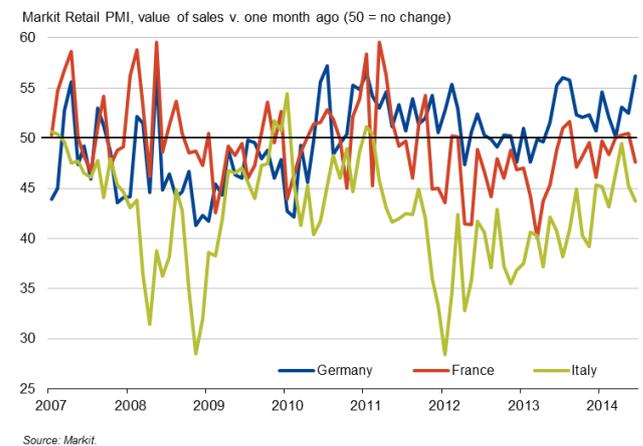
Despite the stagnation in sales in the eurozone, retail **employment** rose for the first time in ten months. The rate of job creation was only marginal, however, with recruitment activity in Germany largely negated by continued staff shedding in both Italy and France.

June data meanwhile pointed to an uptick in the rate of **wholesale price inflation** facing retailers in the euro area, marking the first acceleration in cost inflation since the start of the year. Accordingly, data showed a firmer squeeze on **gross margins**, which deteriorated to the greatest extent since last November.

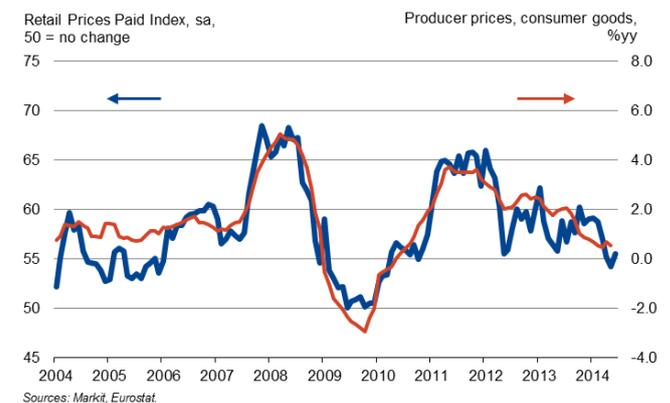
Finally, retailers' **outlook for sales*** remained positive, although the degree of confidence weakened further from March's recent high to a five-month low.

* Companies are asked whether they expect next month's sales to be higher, lower or the same as plans.

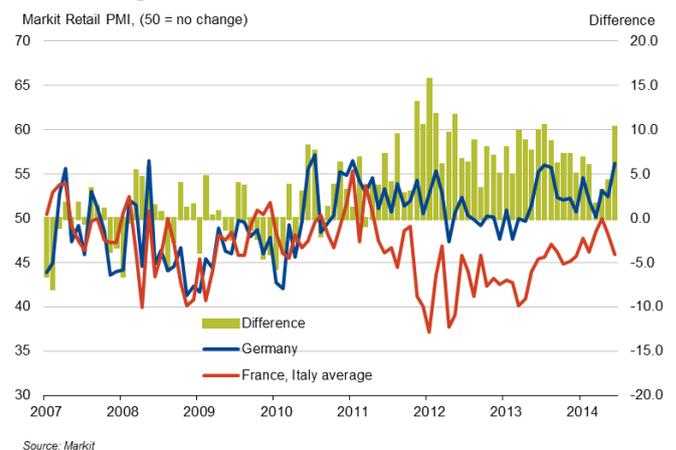
Retail sales by country



Wholesale price inflation



PMI divergences



For further information, please contact:

Markit

Chris Williamson, Chief Economist
 Telephone +44-20-7260-2329
 Mobile +44-779-5555-061
 Email chris.williamson@markit.com

Phil Smith, Economist
 Telephone +44-1491-461-009
 Email phil.smith@markit.com

Joanna Vickers
 Corporate Communications
 Telephone +44-207-260-2234
 Email joanna.vickers@markit.com

Notes to Editors:

"PMI" is an acronym for *Purchasing Managers' Index*, a type of survey originally developed for tracking business conditions in the manufacturing sector. Markit now uses 'PMI' to describe the methodology used for surveys also undertaken in the services, construction and retail sectors. For the Retail PMI, Markit has recruited a representative panel of retail companies in France, Germany and Italy. Together, these three countries account for approximately 62% of total Eurozone retail sales by value. The panel includes large chain retailers as well as smaller retailers to ensure balanced representation of the true structure of the Eurozone retail sector. Similarly, the composition of the panel by classification of retailer (i.e. type of good sold) is monitored to ensure accurate representation. Markit ensures the correct structure remains in place over time and that response rates remain sufficiently high to generate reliable economic data.

The Retail PMI surveys cover the following specific sectors. The definition of the retailers included in each sector is shown along with the Standard Industrial Classification (SIC) codes of the companies included in each sector.

- Clothing & Footwear: Retail sale of clothing, footwear and leather goods (SIC 5242 & 5243)
- Food & Drink: Retail sale of food, beverages and tobacco (SIC 5210 & 5220)
- Household Goods: Retail sale of household goods (SIC 5240, 5241, 5244-5248)
- Autos & Fuel: Sale of motor vehicles and motorcycles; Retail sale of automotive fuel (SIC 5000)
- Pharmaceuticals: Retail sale of pharmaceutical and medical goods, cosmetic and toiletries (SIC 5230)
- Other (included in total only): Other retail not in stores (SIC 5250 & 5260)

Retail PMI sector data are available only at an aggregate Eurozone level and not at an individual country level. Where the activities of a retailer on the survey panel encompass more than one of the sector definitions shown above, the retailer is classified to the sector which accounts for the majority of its sales turnover.

Data collection occurs via the completion of questionnaires by survey panel members during the second half of each month. The percentage figures of companies reporting an improvement, deterioration or no change for each survey variable are converted into a single-figure "diffusion index" for each variable. Diffusion indexes vary between 0 and 100, with a reading of 50.0 signalling no change on the previous month. Readings above 50.0 signal growth on the previous month and readings below 50.0 signal contraction. The greater the divergence from 50.0, the greater the rate of change signalled.

The methodology includes the automatic weighting of each survey response in order to ensure that the effect of each response on the final figure is proportional to the size of the responding company. The use of the diffusion index methodology means that the results for the Retail PMI will be directly comparable with PMIs for other sectors, such as manufacturing, services and construction.

Where appropriate, diffusion indexes are adjusted in order to allow for seasonal variations and thereby provide easier identification of the underlying trend in the data. Seasonal adjustment is not possible at product sector level. Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. For further information please contact economics@markit.com.

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About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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. To learn more go to www.markit.com/economics.

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