

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:00 (UK Time) 5 February 2014

Markit Eurozone Composite PMI[®] – final data

Includes Markit Eurozone Services PMI[®]

Eurozone economy expands at fastest pace since June 2011

- Final Eurozone Composite Output Index: **52.9** (Flash 53.2, December 52.1)
- Final Eurozone Services Business Activity Index: **51.6** (Flash 51.9, December 51.0)

Output in the eurozone economy expanded for the seventh successive month in January. At 52.9, up from 52.1 in December, the final **Markit Eurozone PMI[®] Composite Output Index** posted its highest reading since June 2011, but nudged lower from the flash estimate of 53.2.

The upturn was led by the manufacturing sector, where accelerated growth of both total new orders and new export business drove the rate of expansion in production to a near three-year record.

The recovery in the service sector remained subdued in comparison, with business activity only rising at a modest pace – albeit a three-month high. Slower growth in new business to service providers suggests that the expansion in output in this sector may remain weak in February.

Ireland stayed atop the PMI all-sector output growth league table in January, with its rate of expansion among the best registered in the past seven years (albeit slower than in December). The German and Spanish economies also strengthened, with output rising at the fastest rates since June 2011 and July 2007 respectively.

Output in Italy edged back into expansion territory, an improvement on the growth hiatus seen in the prior two months. France remained alone among the big-four nations to report contraction in January. Although the rate of decline in overall output eased, contractions were nonetheless recorded in both the manufacturing and service sectors.

Markit Eurozone PMI and GDP



Nations ranked by all-sector output growth (Jan.)

Ireland	57.8	2-month low
Germany	55.5	31-month high
Spain	54.8	78-month high
Italy	51.3	3-month high
France	48.9	3-month high

Eurozone employment was unchanged for the second month running in January. This was nonetheless an improvement on the sustained period of job losses recorded over the prior two years, and the marginal decline signalled by the earlier flash estimate for January.

Job creation in Germany and renewed employment growth in Spain was offset by further cuts in France and Italy, albeit at slower rates. Irish employment was flat over the month.

Inflationary pressures remained generally subdued in January. Average selling prices fell for the twenty-second month running, albeit to one of the least marked extents during that sequence, as demand remained fragile. Only Germany reported an increase. Meanwhile, the rate of inflation in average input costs remained well below its long-run survey average.

Services:

The eurozone service sector expanded for the sixth successive month during January. At a three-month high of 51.6, up from 51.0 in December, the **Eurozone Services Business Activity Index** indicated a modest rate of output growth.

Ireland recorded the strongest expansion in business activity of all the nations covered, despite seeing growth cool slightly from December's near seven-year record. Spain was the only nation to report an accelerated rate of increase, while Germany saw solid output growth but a slower pace of expansion. The downturns in France and Italy continued, but eased over the month.

The fragile nature of the recovery in the eurozone service sector was emphasised by the trends in new orders and backlogs of work. New business increased for the sixth month running in January, but the pace of expansion remained weak and eased since December.

Two of the big-three nations – Germany and Italy – recorded only slight gains in new work while France saw a further outright decline. Ireland and Spain both registered solid growth in demand.

The generally subdued demand for services in the currency union meant that buffers of work-in-hand fell for the thirty-first month running, with declines signalled in each of the nations covered by the survey. Subsequently, employment levels fell for the third time in the past four months.

Job losses continued in France and Italy, while the pace of growth in German payroll numbers eased from December's two-year high. Job creation remained solid in Ireland, while staffing levels in Spain edged above the stabilisation level for the first time in almost six years.

Average selling prices decreased for the twenty-sixth straight month in January, but at the slowest pace since May 2012. Although input costs continued to rise, the extent of the increase remained below the long-run survey average.

Companies' outlook for output in one year's time strengthened in January, hitting a two-and-a-half year record. However, optimism has now been below the long-run series average since mid-2011.

Comment:

Chris Williamson, Chief Economist at Markit said:

“The final reading of the eurozone PMI was down slightly on the earlier flash reading but nevertheless signals a very encouraging start to the year. Companies are reporting the strongest growth of business activity for two-and-a-half years, putting the economy on course to grow by 0.5% in the first quarter if this pace is sustained.

“We should expect GDP forecasts for 2014 to start being revised up if the PMI continues to rise, with the consensus of 1.0% growth already looking somewhat conservative.

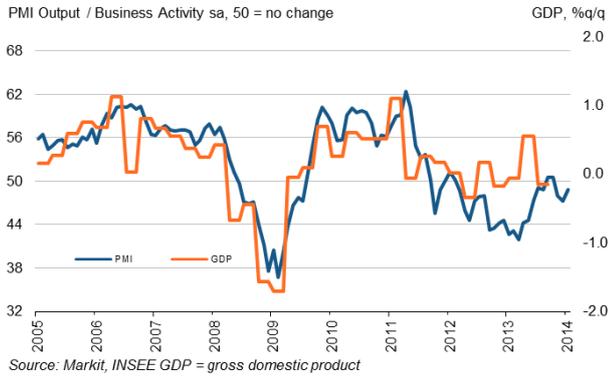
“The upturn is also feeding through to the labour market: employment has stabilised over the past two months, bringing an end to the continual culling of staffing levels seen since the start of 2012. Hopefully we will now soon see companies start to generate new jobs in significant enough numbers to bring down the region's unemployment rate in coming months, which will perhaps represent the true start of the economic recovery for many people.

“While Germany is providing the main impetus to the recovery due to its sheer size, the upturn is becoming broad-based, which in turns adds to the likelihood that it can be sustained. Spain and Ireland are now seeing robust growth, undergoing their strongest phases of expansion since 2007, while Italy is also returning to growth and France's business sector is also showing signs of stabilising.

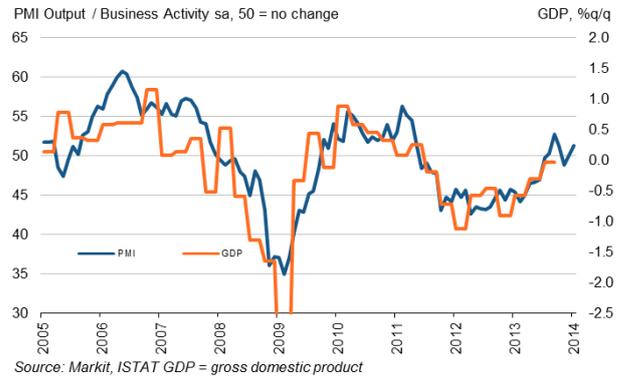
“The main concern is that the recovery is still all-too dependent on the manufacturing sector. Although the service sector has returned to growth, its weak pace of expansion reflects still-subdued domestic demand – especially from consumers – in many Eurozone countries, notably France and Italy. A revival in consumer sentiment in these countries will be an important ingredient of a more robust upturn.”

-Ends-

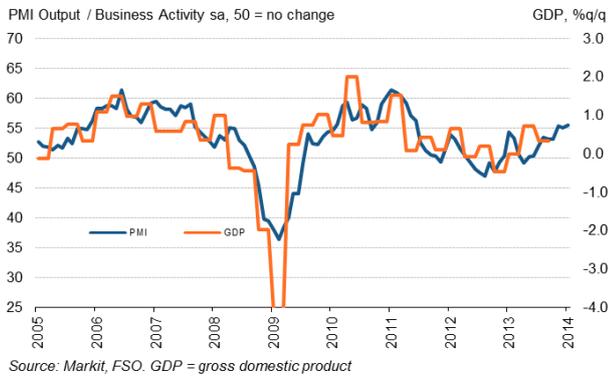
France



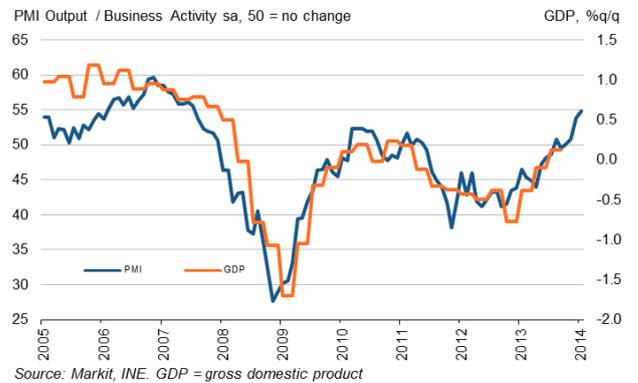
Italy



Germany



Spain



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

Rob Dobson, Senior Economist
 Telephone +44-1491-461-095
 Mobile +44-7826-913-863
 Email rob.dobson@markit.com

Caroline Lumley, Director, Corporate Communications
 Telephone +44-20-7260-2047
 Mobile +44-7815-812-162
 Email caroline.lumley@markit.com

Notes to Editors:

The Eurozone Composite *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of around 5,000 manufacturing and services firms. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland.

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 2,000 private service sector firms. National data are included for Germany, France, Italy, Spain and the Republic of Ireland. These countries together account for an estimated 78% of Eurozone private sector services output.

The **final** Eurozone Composite *PMI* and 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 January composite flash was based on 81% of the replies used in the final data. The January services flash was based on 77% of the replies used in the final data. **Data were collected 13-27 January.**

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 <i>PMI</i> [®]	0.0	0.3
Eurozone Services Business Activity <i>PMI</i>	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.

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. Please contact economics@markit.com.

About Markit

Markit is a leading, global financial information services company with over 3,000 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 marketplace. For more information, see www.markit.com.

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.

The intellectual property rights to the Eurozone Composite and Services *PMI*[®] provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[®] and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.