

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 23 January 2014

Markit Flash Eurozone PMI[®]

PMI hits highest since June 2011, signalling strengthening economic recovery

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 53.2 (52.1 in December). 31-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 51.9 (51.0 in December). Four-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 53.9 (52.7 in December). 32-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 56.7 (54.9 in December). 33-month high.

Data collected 13-22 January.

The euro area private sector economy grew for a seventh consecutive month in January, according to the flash **Markit Eurozone PMI[®]**, with the rate of growth accelerating to the fastest since June 2011. The headline PMI (which tracks output across both manufacturing and services) rose from 52.1 in December to 53.2.

Growth picked up in Germany and the rate of decline eased in France, while the rest of the region also saw a strengthening upturn.

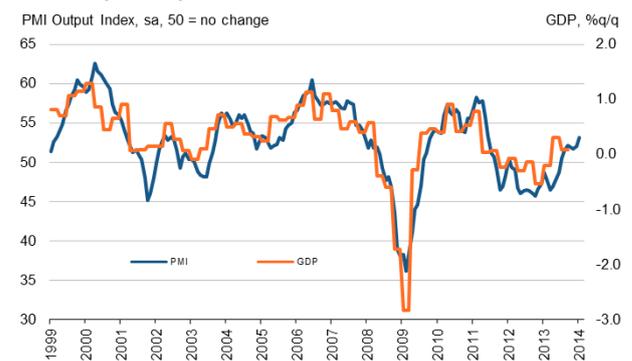
New orders across the euro area rose for a sixth successive month, albeit growing at a rate unchanged on December. Backlogs of work also continued to fall marginally, suggesting that the level of demand, although rising, remains insufficiently strong to enable companies to build up a pipeline of orders to fall back on if demand weakens.

Employment was consequently trimmed slightly again, having stabilised in December, as companies remained uncertain about expanding capacity. Employment has not risen since December 2011, though the trend in the rate of job losses has eased considerably over the past year.

Selling prices also continued to fall, highlighting the fragility of demand, and have now declined continually over the past two-and-a-half years. The latest reduction was only modest, however, and the weakest since May 2012. The easing in the rate of

decline reflected in part the need to pass higher costs on to customers. Meanwhile, the rate of input cost inflation picked up compared with December but was slightly below November's recent peak.

Markit (Flash) Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

Manufacturing continued to lead the recovery, expanding at a robust pace in January. Output, new orders and new export orders all showed the largest monthly rises since April 2011, each growing for a seventh successive month. The improvement in demand encouraged goods producers to take on more staff for the first time since the start of 2012. Although only modest, the increase in employment was the best seen since September 2011.

Service sector companies saw a more moderate increase in activity than manufacturers, but nevertheless reported that activity grew at the second-fastest rate since June 2011 (the latest improvement exceeded only by the rise recorded in September). Moreover, expectations about the year ahead held steady at a two-and-a-half year high.

However, an easing in growth of services new business suggests that any expansion of activity in February may remain weak. Slower new business growth was also a contributory factor behind firms cutting their workforce numbers again, reversing a marginal rise in December (which had been the first

increase since December 2011).

Wide national divergences also persisted, with strong and accelerating growth in Germany contrasting with an ongoing downturn in France, although the latter did see an easing in the rate of decline.

Growth in Germany hit the highest since June 2011. The strong pace of expansion was fuelled by a seventh consecutive monthly rise in new business. Manufacturing output surged at the strongest pace since April 2011, but services activity growth picked up only marginally on December. Employment in Germany rose only modestly as a result, the rate of job creation sliding compared with December. Staffing levels have nonetheless now risen in each of the past three months.

In France, output fell for a third successive month, through the rate of decline eased to the slowest seen over this period. Rates of decline eased in both manufacturing and services. New orders likewise fell at a reduced rate, but the pace of job losses accelerated slightly.

Output growth in the rest of the region (excluding France and Germany) picked up to the highest since February 2011, with growth recorded for a sixth month running. The rate of job losses meanwhile eased to the weakest in the current 32-month sequence, with employment falling only very marginally in January.

Commenting on the flash PMI data, **Chris Williamson, Chief Economist at Markit** said:

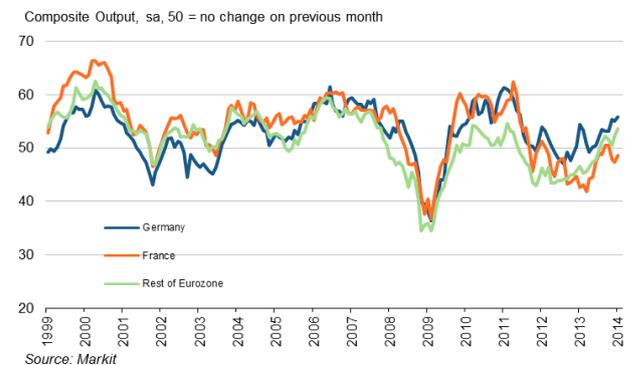
“The eurozone’s recovery gained further momentum in January. The upturn in the PMI puts the region on course for a 0.4-0.5% expansion of GDP in the first quarter, as a 0.6-0.7% expansion in Germany helps offset a flat-looking picture in France. Elsewhere across the region growth has improved to its fastest since early-2011, meaning the periphery is showing clear signs of starting 2014 on a firm footing.

“However, while gathering pace, the upturn remains fragile. Companies cut employment again, and selling prices continued to fall amid still-weak demand. Deflationary forces are clearly a concern in many countries.

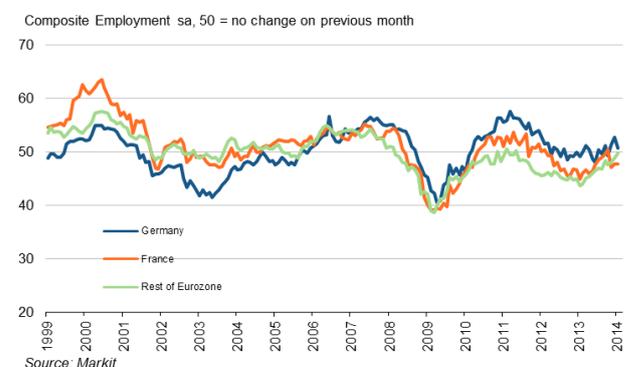
“The growth disparities are also a persistent concern. We are seeing growth being led by Germany, especially its surging manufacturing sector, while France looks likely to act as a drag on the eurozone recovery for some time.”

-Ends-

Core v. Periphery PMI Output Indices



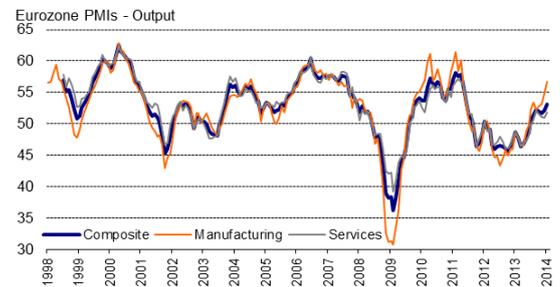
Core v. Periphery PMI Employment Indices



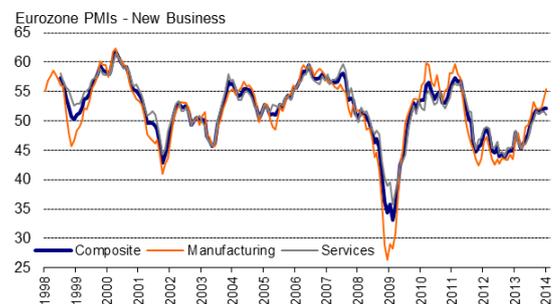
Summary of January data

Output	Composite	Output increases for seventh month running, and at fastest pace since June 2011.
	Services	Activity increases for sixth month running, and at fastest pace since September.
	Manufacturing	Output growth fastest in 33 months.
New Orders	Composite	New business growth unchanged from December's two-and-a-half year high.
	Services	New business rises for sixth successive month, but at weaker rate.
	Manufacturing	New order growth accelerates for third month running.
Backlogs of Work	Composite	Backlogs continue to decline marginally.
	Services	Outstanding business declines at fastest rate in six months.
	Manufacturing	Backlogs rise at strongest rate since April 2011.
Employment	Composite	Employment declines marginally.
	Services	Employment contracts fractionally.
	Manufacturing	Workforce grows for first time since January 2012.
Input Prices	Composite	Input price inflation remains historically weak.
	Services	Input price inflation at two-month high.
	Manufacturing	Input prices rise at weakest rate in four months.
Output Prices	Composite	Output prices fall for twenty-second month running.
	Services	Charges decline for twenty-sixth month running.
	Manufacturing	Factory gate prices rise for fifth month running.
PMI⁽³⁾	Manufacturing	PMI rises to 32-month high of 53.9.

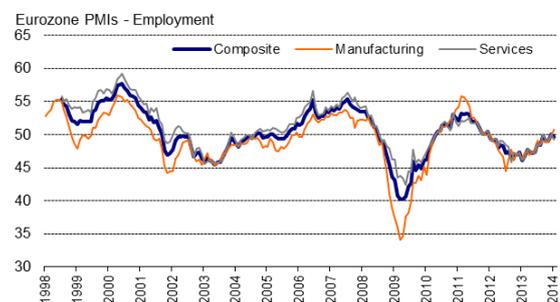
Output



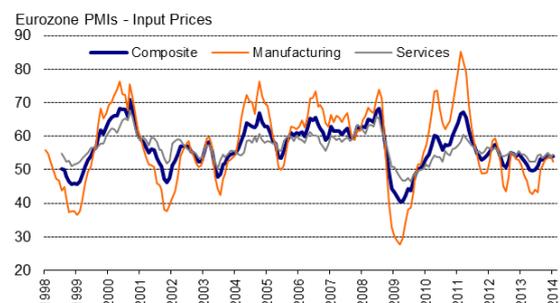
New business



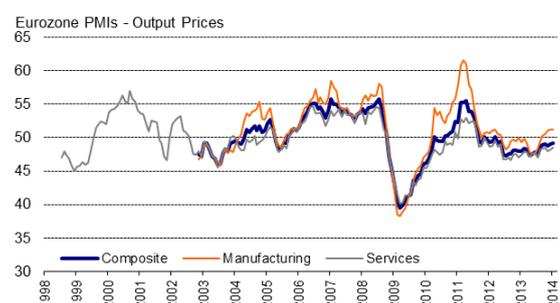
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final January data are published on 3 February for manufacturing and 5 February for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. 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 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 <i>PMI</i> ²	0.0	0.2
Eurozone Services Business Activity Index ²	0.1	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.

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 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 market place. For more information, see <http://www.markit.com/en/>.

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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