

News Release

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

Eurozone stabilises as PMI hits one-and-a-half year high

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 50.4 (48.7 in June). 18-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 49.6 (48.3 in June). 18-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 50.1 (48.8 in June). 24-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 52.3 (49.8 in June). 25-month high.

Data collected 12-23 July.

The **Markit Eurozone PMI® Composite Output Index** rose above the 50.0 no-change level in July for the first time since January 2012, according to the flash estimate. The PMI rose for the fourth successive month, up from 48.7 in June to 50.4.

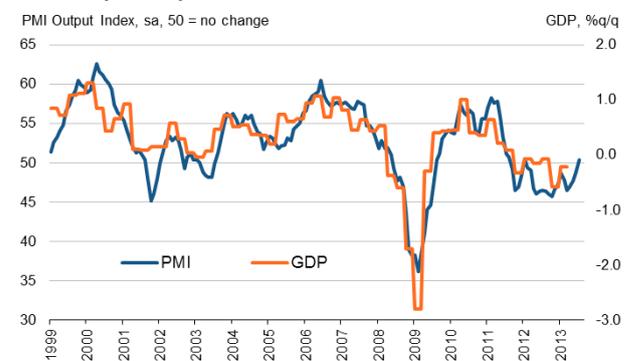
Manufacturers reported the largest monthly increase in output since June 2011, registering an expansion for the first time since February of last year. Service sector activity meanwhile fell only marginally, recording the smallest decline in the current 18-month sequence and showing signs of stabilising after the marked rates of decline seen earlier in the year.

New orders fell only marginally during the month, registering the smallest decline since August 2011. The rate of loss of new orders has now eased for four straight months, helping the rate of decline in backlogs of work ease to the slowest for nearly two years in July.

New orders for manufactured goods rose for the first time since May 2011, buoyed by a slight increase in new export orders. Incoming new business in the service sector meanwhile continued to decline, although the drop was the smallest seen since March of last year.

The easing in the rate of loss of new business was a factor helping drive expectations for service sector business growth in the year ahead to the highest since April.

Markit (Flash) Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

The rate of job losses eased during the month, dropping to the lowest since March 2012. Rates of job losses eased in both manufacturing and services to 18- and 13-month lows respectively.

Input costs showed the first noteworthy increase for four months, although the rate of inflation remained lower than seen at the start of the year. Lower manufacturing input prices contrasted with faster growth of service sector costs.

Intense competition caused prices charged for both goods and services to fall again, however, dropping at an identical rate to June on average.

By country, output rose at the fastest rate for five months in **Germany**. Service sector growth hit a five-month high while manufacturers reported the steepest monthly increase in output since February of last year. Overall job creation hit the highest since March.

In **France**, the rate of decline eased to the slowest seen since output began falling in March 2012. This was buoyed by a return to growth in manufacturing, which reported the largest rise in production for 17 months. The service sector meanwhile saw the smallest downturn in activity for 11 months. Employment fell across both sectors, though to the weakest extent since April 2012

Outside of the two biggest member states output fell only marginally, posting the smallest decline since June 2011. New business fell at the slowest rate since May 2011. The ‘periphery’ likewise saw a corresponding easing in the rate of job losses to the weakest since September 2011, though the rate of job cutting remained solid.

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

“The best PMI reading for one-and-a-half years provides encouraging evidence to suggest that the euro area could – at long last – pull out of its recession in the third quarter.

“The revival is being led by a broad-based upturn in manufacturing, where growth surged to a two-year high. Increased goods production was reported in Germany, France and across the rest of the region as a whole.

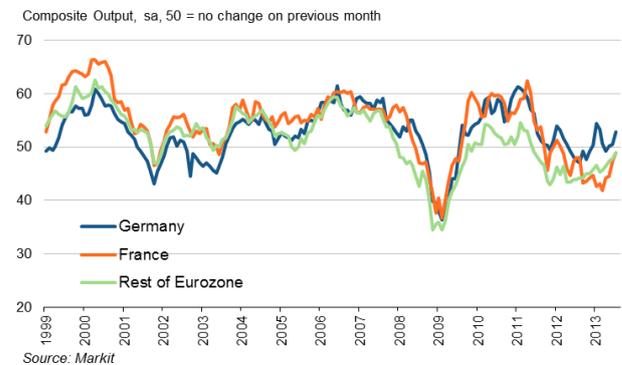
“There are also promising signs of stabilisation in the service sector, which hints at some much-needed upturns in domestic demand. Rising service sector activity in Germany is being accompanied by slower rates of decline in France and elsewhere across the region.

“Employment continues to fall, but even on the jobs front there is welcome news in that companies are cutting back on headcounts to a lesser extent than earlier in the year.

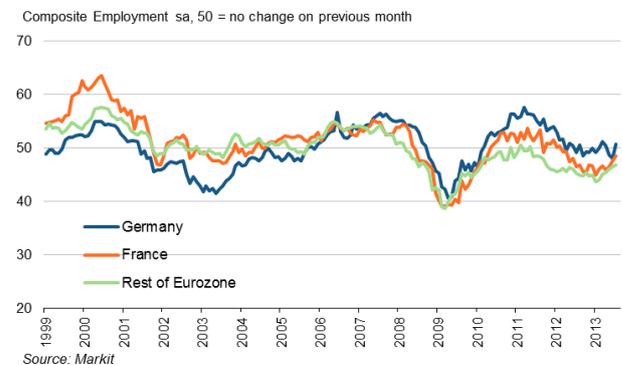
“The survey data will therefore provide a summer fillip to policymakers, especially in terms of there being light at the end of the tunnel for austerity-hit periphery countries where political and social tensions have risen. The ECB in particular will be feeling much more confident in its expectation of the region returning to growth by the end of the year.”

-Ends-

Core v. Periphery PMI Output Indices



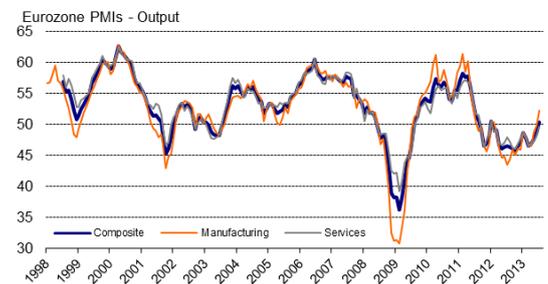
Core v. Periphery PMI Employment Indices



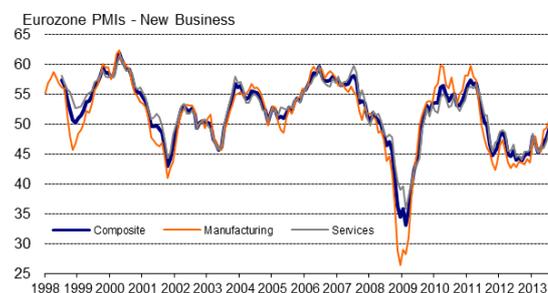
Summary of July data

Output	Composite	Output increases for first time since January 2012, albeit at marginal rate.
	Services	Activity falls at weakest rate in current 18-month sequence.
	Manufacturing	Output increases at fastest pace since June 2011.
New Orders	Composite	New business declines for twenty-fourth successive month, but at marginal rate.
	Services	New business declines at weakest rate since March 2012.
	Manufacturing	New orders rise for first time since May 2011.
Backlogs of Work	Composite	Backlogs fall at slowest since August 2011.
	Services	Outstanding business drops at slowest rate for 16 months.
	Manufacturing	Backlogs fall at slowest rate in 25 months.
Employment	Composite	Jobs decline at slowest pace since March 2012.
	Services	Employment declines at weakest rate since June 2012.
	Manufacturing	Jobs shed for eighteenth successive month, but at slowest rate in that sequence.
Input Prices	Composite	Input prices rise for second consecutive month.
	Services	Input price inflation at seven-month high.
	Manufacturing	Input prices fall for sixth month running, and at faster rate.
Output Prices	Composite	Output prices fall for sixteenth month running.
	Services	Charges decline at stronger rate than in June.
	Manufacturing	Factory gate prices fall for seventh month running.
PMI⁽³⁾	Manufacturing	PMI rises to two-year high of 50.1.

Output



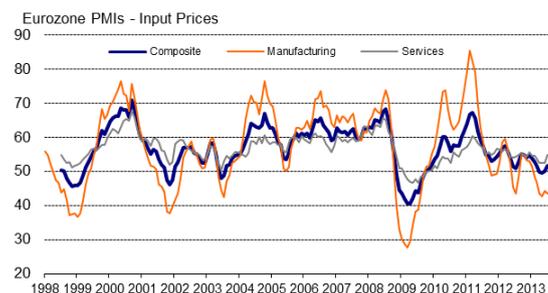
New business



Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final July data are published on 1 August for manufacturing and 5 August 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 PMIs

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

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