

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:00 (UK Time) 4 June 2014

Markit Eurozone Composite PMI[®] – final data

Includes Markit Eurozone Services PMI[®]

Eurozone economy on course for best quarter in three years, as recoveries in Germany, Italy and Spain offset weakness in France

- Final Eurozone Composite Output Index: **53.5** (Flash 53.9, April 54.0)
- Final Eurozone Services Business Activity Index: **53.2** (Flash 53.5, April 53.1)

The eurozone remained on course to record its best calendar quarter of economic growth for three years, according to PMI data, as recoveries at both manufacturers and service providers continued in May. The final **Markit Eurozone PMI[®] Composite Output Index** posted 53.5, down only slightly from April's near-three year high of 54.0, to signal growth for the eleventh month running.

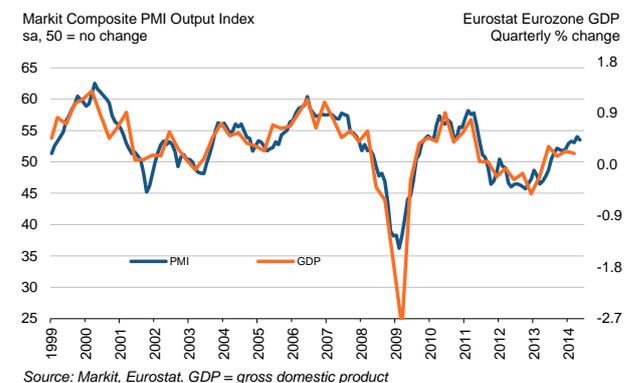
Manufacturing continued to lead the upturn in output during May, despite seeing production and new orders expand at the slowest rates in six months. Service sector activity and new business both rose at the quickest rates since June 2011.

The gap between the performances of the two largest economies remained wide in May. Germany continued to report strong output growth, with manufacturers and service providers both benefitting from rising new order inflows. In contrast, output in France fell back into contraction, reflecting the ongoing weakness of the French domestic market.

Elsewhere among the big-four economies, output rose further in both Italy and Spain. Rates of growth ticked higher in Italy and stayed close to April's seven-year record in Spain.

The improving performance of the eurozone economy continued to support job creation in May. Employment rose for the second month running and, although only modest at manufacturers and service providers alike, the combined increase in payroll numbers was the sharpest since September 2011.

Markit Eurozone PMI and GDP



Nations ranked by all-sector output growth* (May)

Germany	55.6 (flash: 56.1)	2-month low
Spain	55.6	2-month low
Italy	52.7	3-month high
France	49.3 (flash: 49.3)	3-month low

*All-Sector Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on [page 3](#) of this press release. May data for Ireland services are released on 5th June.

Germany and Spain reported further jobs growth, while Italy saw a slight increase for the first time in three years. France reported further cuts.

The subdued nature of job creation mainly reflected the fact that, although rising, demand remained weak by the historical standards of the survey. This led a number of firms to support sales efforts by offering selling price discounts. In contrast, input prices rose for the twelfth month running, as solid inflation at service providers more than offset a slight reduction in manufacturers' costs.

Output prices fell in France, Italy and Spain, while Germany was the only nation to report an increase. The rate of decline in France was especially marked and the steepest since July last year.

Services:

The eurozone service sector continued to recover at a solid pace in May. At 53.2, up slightly from 53.1 in April, the **Eurozone Services Business Activity Index** rose to a near-three year high, despite easing from the earlier flash estimate of 53.5. Output has now increased for ten months in a row.

Among the nations for which May services data are available, Germany registered the steepest rate of business activity growth, with the rate of increase accelerating to the highest since June 2011. Spain also saw a marked expansion of output, with the pace of improvement remaining close to April's seven-year record. Business activity also rose in Italy, but only moderately.

France remained a drag on the performance of the services sector, seeing business activity fall back into contraction following gains in March and April. New orders at French service providers fell for the second month running, providing further evidence of the ongoing weakness of the French domestic market. In contrast, new business rose in Germany, Italy and Spain, with rates of increase improving in Germany and Italy.

The outlook for the services economy also remained positive in May. Business optimism* ticked higher to one of its best levels during the past three years. Confidence rose in France, Italy and Spain, but eased in Germany.

The service sector recovery supported further job creation in May. Employment rose for the second straight month and, although only modest, the pace of increase was the best since September 2011. Service providers in Germany and Spain reported further additions to payroll numbers, in contrast to ongoing cuts in Italy and France.

Input price inflation accelerated to a four-month high in May, mainly due to increased payroll costs. Faster rates of cost inflation were registered across the four largest eurozone nations. Meanwhile, with the level of demand still weak by the historical standards of the survey, service providers initiated a further cut in average charges. Output prices have now fallen throughout the past two-and-a-half years.

* for business confidence, companies are asked whether they expect levels of business activity in one year's time to be higher, the same or lower than the current month.

Comment:

Chris Williamson, Chief Economist at Markit said:

“Despite falling, the Eurozone PMI remains firmly in expansion territory and consistent with GDP rising by a reasonable 0.4-5% in the second quarter. However, although the eurozone is enjoying its best performance for three years, this is an uneven, stuttering and lacklustre recovery.

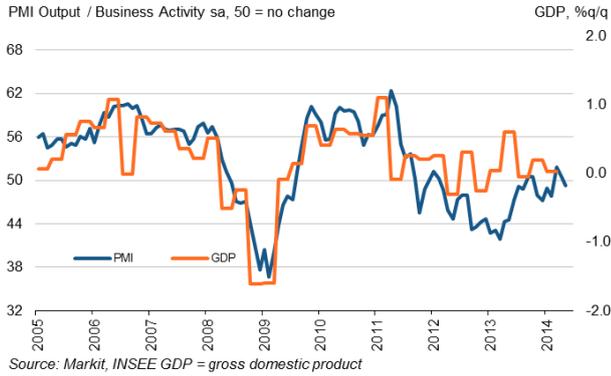
“France remains a major drag on the region's revival, where the survey data suggest the economy has stagnated in the second quarter. There is even the possibility of a renewed downturn in French GDP if business conditions continue to deteriorate in June.

“Germany, in contrast, remains the key driver of the region's recovery, with the PMI signalling second quarter GDP growth of approximately 0.7%, followed by Spain, where the survey data point to GDP rising by 0.6%. Growth is also reviving in Italy, where a more modest 0.3% expansion is indicated.

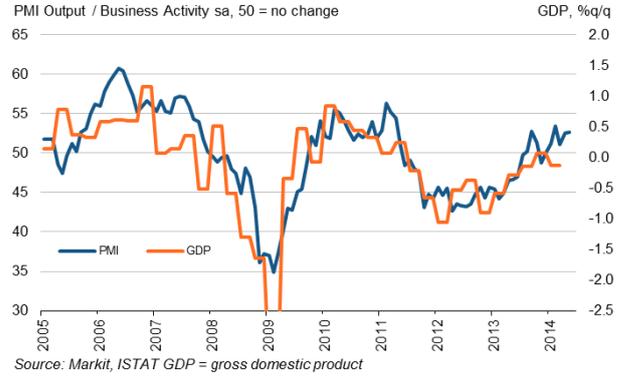
“Employment has also returned to growth in recent months, but the rate of economic expansion remains too low to generate enough job creation to bring unemployment down to any significant degree. On one hand, it's encouraging to see job creation running at the highest rate seen since 2007 in Spain and edging higher for the first time for three years in Italy, accompanying solid job gains in Germany. On the other hand, sustained job losses in France represent a major concern about the outlook in the region's second-largest member state and underscores the uneven nature of the region's recovery.”

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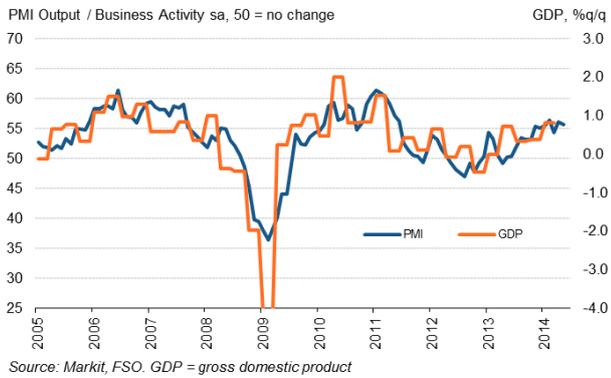
France



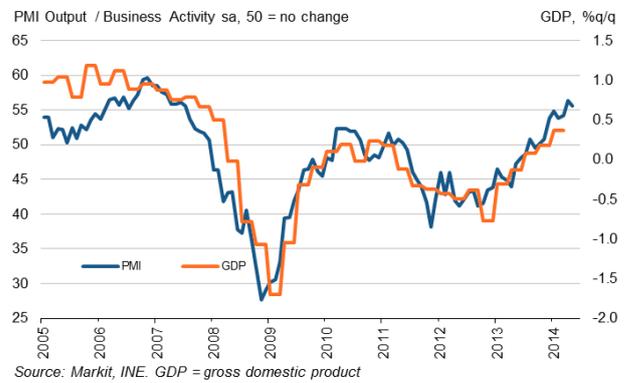
Italy



Germany



Spain



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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 May composite flash was based on 86% of the replies used in the final data. The May services flash was based on 78% of the replies used in the final data. **Data were collected 12-27 May.**

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.

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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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