

News Release

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

Job creation at four-year high despite slower pace of economic growth

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 53.4 (53.9 in April). 3-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 53.3 (54.1 in April). 4-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 52.3 (52.0 in April). 13-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 53.5 (53.4 in April). 2-month high.

Data collected 12-20 May.

The eurozone economy lost growth momentum for a second successive month in May, according to the latest *PMI*[®] survey data. However, the survey also showed that the rate of expansion remained sufficiently robust to encourage firms to take on extra staff at the fastest rate for four years. Price indices meanwhile hit three-year highs, adding to signs that deflationary pressures are receding.

Markit's Eurozone PMI registered 53.4 in May, according to the flash reading (based on around 85% of usual monthly survey replies), down from 53.9 in April and the recent peak of 54.0 seen back in March.

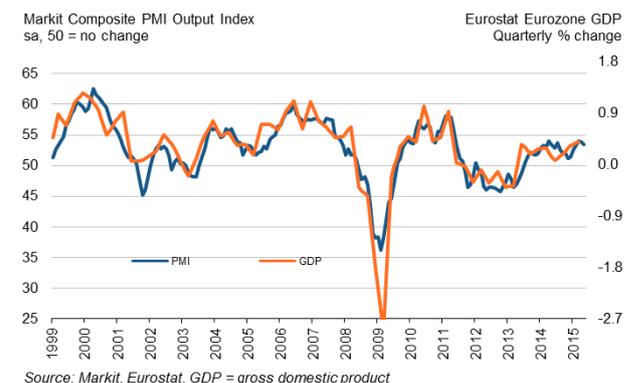
Faster growth in manufacturing was offset by a slowdown in services, though the pace in the latter merely eased slightly further from March's eight-month high to suggest a broad-based upturn remains in place.

The survey suggests, however, that growth could continue to soften in June. Growth of new business inflows moderated for a second month running to register the smallest monthly gain since February. Weaker order book growth was centred on the service sector, with manufacturing reporting the strongest inflows of new orders for just over a year, linked to improved export performance. Expectations of future growth in the service sector meanwhile slipped, dropping to a five-month low.

Backlogs of work also fell, albeit only marginally, for the first time since January, though this was largely

in response to firms boosting capacity by taking on more staff. Employment rose at the fastest rate since May 2011.

Markit Eurozone PMI and GDP



The survey also brought some encouraging news to a region thought by many to be facing the potential threat of deflation. Companies' average input costs rose at the steepest rate since April 2012, driven up by a combination of higher oil prices, increased wage bills and rising import costs due to the euro's depreciation in recent months.

Although average selling prices for goods and services continued to fall, the decline was only marginal and the smallest recorded in the current 38-month sequence of reductions.

By country, Germany saw business activity grow at the weakest rate for five months, with the pace of expansion weakening in both services and manufacturing. France meanwhile continued to see only sluggish growth, albeit with the rate of expansion picking up on the near-stagnation seen in April. Growth accelerated in the service sector while manufacturing output fell at the weakest rate since January. There was better news on employment, however, with rates of job creation gathering momentum in both Germany and France, the latter enjoying its best spell of hiring in over three years.

The rest of the region outside of the ‘core’ countries of Germany and France once again led the upturn. Although the rate of expansion slowed slightly in May, the region excluding France and Germany is on course for its best quarter of growth and job creation since the second and third quarters of 2007 respectively.

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

“The eurozone’s recovery lost some of its vigour in May, with growth slowing slightly for a second successive month. At the moment the extent of the slowing is not a major concern, but will no doubt be causing some nail-biting at the ECB as policymakers await signs that quantitative easing is the panacea the region needs to achieve a robust and sustainable recovery.”

“The average PMI reading for the second quarter so far points to GDP growth similar to the 0.4% expansion seen in the first three months of the year. This suggests the region is on course to expand by around 2.0% this year, which would be the best performance since 2010. However, we need to see a reversal of the current slowdown in new business growth if such a pace of expansion is to be achieved over the year as a whole.”

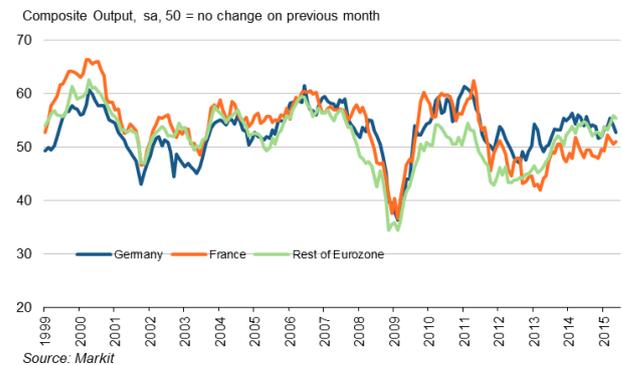
“New business growth also needs to rebound to convince companies to continue hiring at anything like the rate seen in May. Job creation is running at the highest rate for four years as employers remain upbeat about the business outlook, especially in manufacturing where the weaker euro appears to be helping drive strong export sales. But there are worrying signs of confidence waning in the service sector compared to the wave of optimism seen earlier in the year.”

“The survey also brought some encouraging news to a region thought by many to be facing the potential threat of deflation. With price pressures picking up to three-year highs, inflation should turn positive in coming months.”

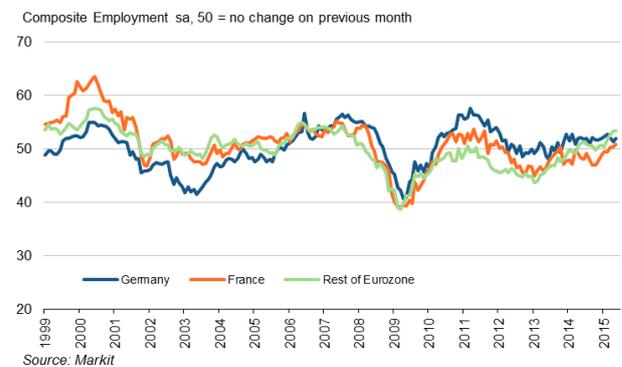
“The survey results suggest the German economy is on course for a reasonable expansion of 0.4% in the second quarter, but France is likely to struggle to see growth exceed 0.3%. However, it’s outside of these two ‘core’ countries where the main action appears to be, with the rest of the region enjoying its best quarter of economic growth and job creation for almost eight years.”

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Core v. Periphery PMI Output Indices



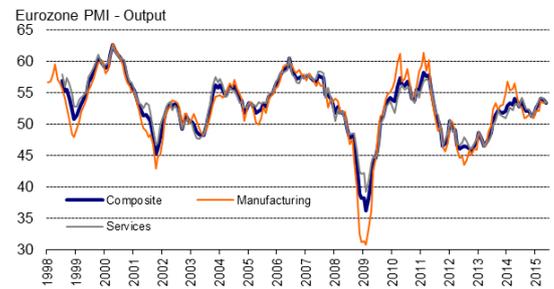
Core v. Periphery PMI Employment Indices



Summary of May data

Output	Composite	Output rises for twenty-third successive month, albeit at slowest pace since February.
	Services	Services growth eases to four-month low.
	Manufacturing	Growth of manufacturing output second-strongest since May 2014.
New Orders	Composite	New business growth eases further from March's 46-month high.
	Services	Rise in services new business weakest in three months.
	Manufacturing	Manufacturing new orders increase for sixth month running.
Backlogs of Work	Composite	Outstanding business broadly unchanged since April.
	Services	Incomplete business falls for first time in five months.
	Manufacturing	Backlogs rise for second time in three months.
Employment	Composite	Employment increases at strongest pace in four years.
	Services	Rate of job creation hits four-year high.
	Manufacturing	Jobs increase for ninth month running.
Input Prices	Composite	Input price inflation at 37-month high.
	Services	Input price inflation at 29-month high.
	Manufacturing	Input prices rise at strongest pace in just over three years.
Output Prices	Composite	Charges broadly stable.
	Services	Service providers cut prices charged at fractional pace.
	Manufacturing	Factory gate prices remain broadly unchanged.
PMI⁽³⁾	Manufacturing	Manufacturing PMI rises to 13-month high of 52.3.

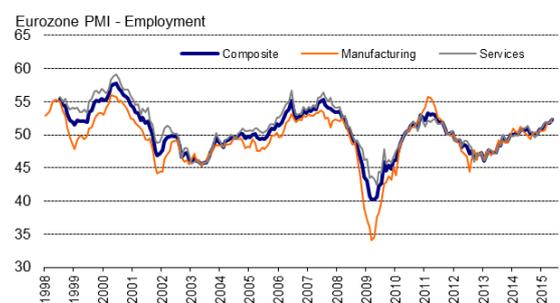
Output



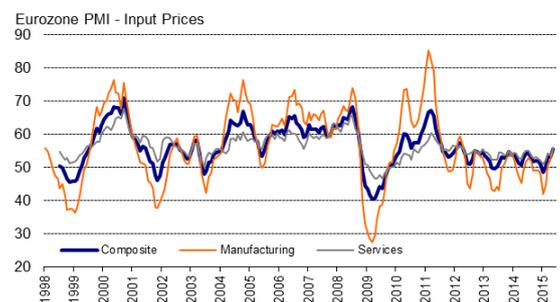
New business



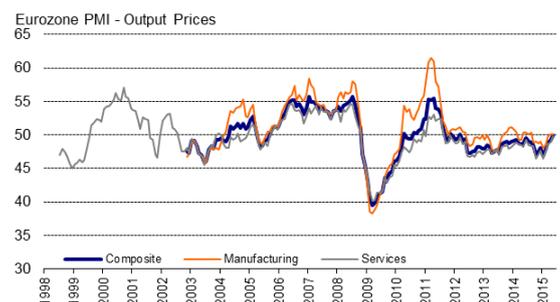
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final May data are published on 1 June for manufacturing and 3 June 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 diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,500 people in 10 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

About PMI

Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 30 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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