

News Release

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

PMI falls in October but signals expansion for fourth month running

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 51.5 (52.2 in September). Two-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 50.9 (52.2 in September). Two-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 51.3 (51.1 in September). Two-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 52.9 (52.2 in September). Two-month high.

Data collected 11-23 October.

The **Markit Eurozone PMI® Composite Output Index** fell from September's 27-month high, according to the October flash estimate, but remained above the 50.0 no-change level for a fourth successive month.

At 51.5, down from 52.2 in September, the flash PMI signalled an ongoing modest upturn in business conditions at the start of the fourth quarter, at a rate broadly similar to the trend shown over the third quarter. The third quarter had seen the highest average PMI reading since the second quarter of 2011.

The expansion was broad-based across the region, though there were signs of moderation in the bloc's two largest economies. Growth slowed to a three-month low in Germany, while France registered only a negligible expansion as its PMI dipped closer toward neutrality. The rest of the eurozone meanwhile reported modest growth of activity for the third month running, representing the first period of growth for these countries since early-2011.

New orders rose for the third consecutive month, but likewise showed an easing in the rate of increase to a weak pace.

The easing in growth of both output and new orders was driven by the service sector, where activity and new business both rose for the third consecutive month but at marginal rates. Manufacturing output

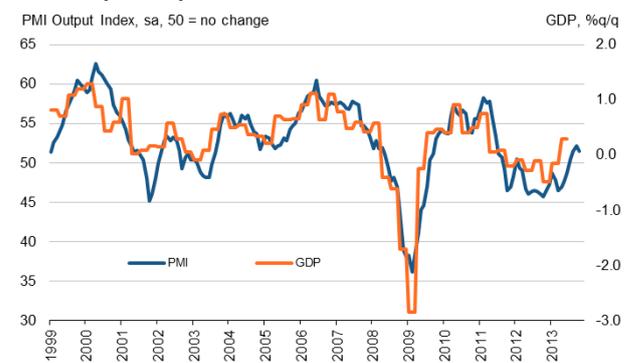
growth, in contrast, accelerated slightly and new order growth was unchanged on September's moderate pace.

The weakening order book growth trend led to a further drop in payrolls. Employment fell for the twenty-second consecutive month, with the rate of job losses strengthening slightly on September. Although employment rose marginally in France for the first time since February of last year, a modest decline was seen in Germany and a stronger rate of job shedding was recorded across the rest of the eurozone.

The volume of outstanding business fell marginally, suggesting current workforce numbers were, on average, sufficient to deal with workloads. This was despite a slight rise in manufacturing backlogs.

Input costs rose for the fifth month running and at the fastest rate since January, although inflation remained historically weak. Output prices continued to fall, but at the slowest rate since May of last year. Charges levied for services fell at the slowest rate for 17 months while manufacturers' factory gate prices rose slightly for the second month in a row, showing the largest gain for just over one-and-a-half years.

Markit (Flash) Eurozone PMI and GDP



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

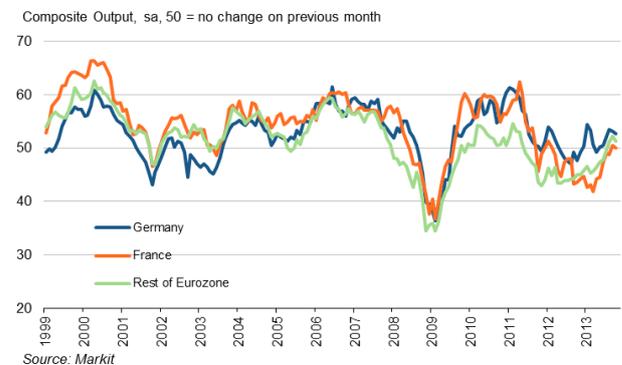
“The dip in the PMI in October is clearly disappointing, but it would be unwise to read too much into one month’s data. It’s too early to say that the recovery is losing momentum. More important is that the survey data have been running in positive territory for four consecutive months now and indicate that the Eurozone economy expanded at a quarterly rate of 0.2% at the start of the fourth quarter, suggesting an ongoing, albeit sluggish, recovery.”

“Although modest, the expansion is reassuringly broad-based across the region, reflecting signs of economic recoveries becoming more entrenched in the periphery as well as ongoing expansion in Germany and stabilisation in France.”

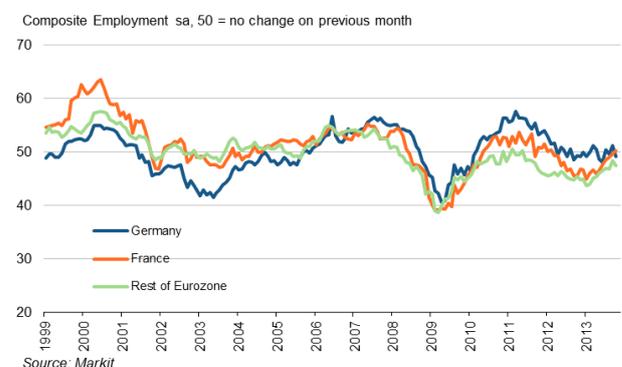
“The dip in the PMI will remind policymakers that a sustainable upturn is by no means assured, and adds confirmation to the ECB’s view that the recovery is slow, uneven and fragile. Attention is likely to be focused on whether the region requires more policy action to boost the recovery rather than on the timing of any withdrawal of stimulus.”

-Ends-

Core v. Periphery PMI Output Indices



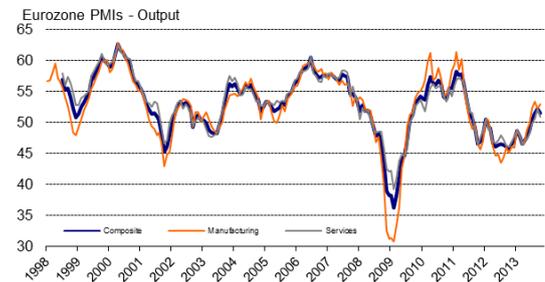
Core v. Periphery PMI Employment Indices



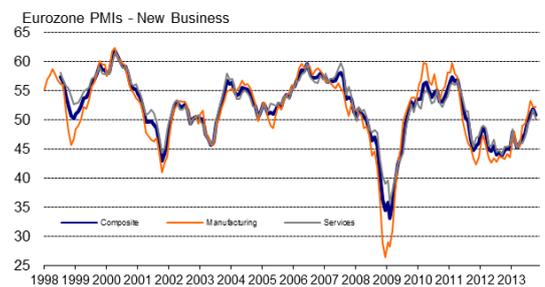
Summary of October data

Output	Composite	Output increases for fourth month running, albeit at weaker pace.
	Services	Activity increases for third month running, but only marginally.
	Manufacturing	Output rises for fourth month running, and at faster pace.
New Orders	Composite	New business growth weakens to marginal rate.
	Services	New business rises fractionally.
	Manufacturing	New order growth maintained at moderate rate.
Backlogs of Work	Composite	Backlogs decline fractionally from September.
	Services	Outstanding business falls for twenty-eighth month running.
	Manufacturing	Backlogs rise for second time in three months.
Employment	Composite	Jobs decline for twenty-second month running.
	Services	Employment contracts modestly.
	Manufacturing	Jobs decline at modest pace.
Input Prices	Composite	Input price inflation at nine-month high.
	Services	Input price inflation at two-month high.
	Manufacturing	Input prices rise at fastest rate in ten months.
Output Prices	Composite	Output prices fall at slowest rate in 17 months.
	Services	Charges decline at weakest rate in 17 months.
	Manufacturing	Factory gate price inflation at 19-month high, but still weak overall.
PMI⁽³⁾	Manufacturing	PMI rises to two-month high of 51.3.

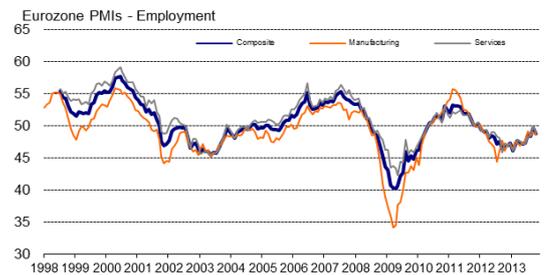
Output



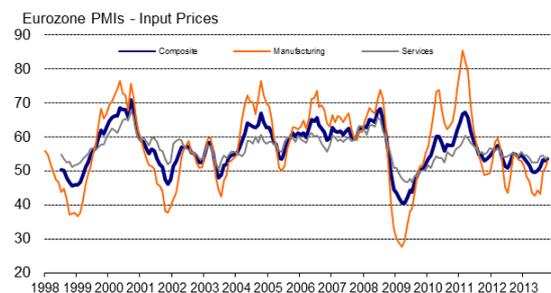
New business



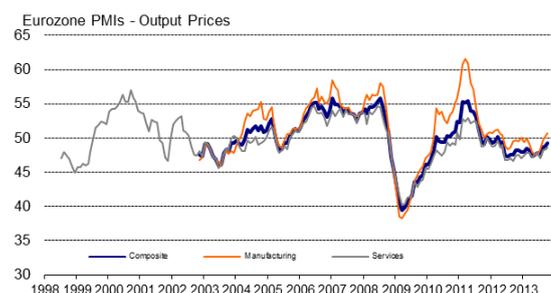
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final October data are published on 4 November for manufacturing and 6 November 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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