

News Release

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

Faster service sector growth lifts pace of eurozone expansion in October

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 54.0 (53.6 in September). 2-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 54.2 (53.7 in September). 2-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 52.0 (52.0 in September). Unchanged.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 53.3 (53.4 in September). 5-month low.

Data collected October 12-22.

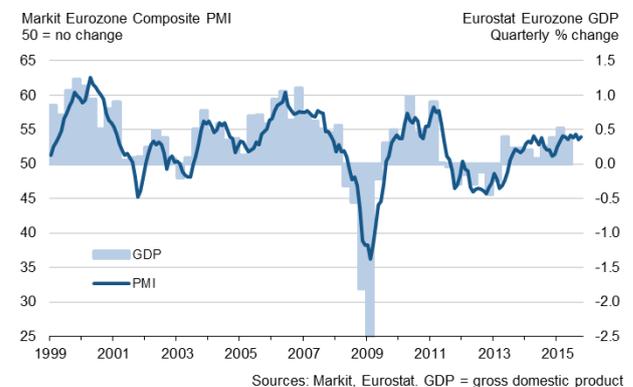
The euro area economic upturn regained some momentum at the start of the fourth quarter. The Markit Eurozone PMI[®] rose from September's four-month low of 53.6 to reach 54.0 in October, according to the flash estimate. The latest reading remained slightly below that seen in August but still signalled one of the strongest monthly expansions seen over the past four years.

Output rose across both services and manufacturing, pointing to a broad-based upturn. The former sector once again recorded the stronger gain, with the divergence widening as services growth accelerated slightly but factory production showed the smallest rise for five months.

Growth of new business also edged higher, reaching a six-month peak. Faster growth of inflows of new business in the service sector, which recorded the largest rise for six months, offset a weakening of new order growth in manufacturing.

Signs of stronger demand and a further build-up of work-in-hand encouraged firms to take on extra staff, driving overall employment growth slightly higher after the slowdown seen in September. However, while job creation hit a five-month peak in services, it waned to an eight-month low in manufacturing, often linked to firms seeking productivity gains in order to boost competitiveness.

Markit Eurozone PMI and GDP



Inflationary pressures remained weak during the month. Average selling prices for goods and services fell for the first time in three months, albeit only marginally, led by a drop in the manufacturing sector amid continuing efforts to cut prices and boost sales. Prices charged for services were unchanged, though this still represented a contrast to the output price falls seen over the four years prior to September.

Input prices meanwhile rose only modestly, as increased cost pressures in services, often linked to rising wages, were countered by the steepest fall in manufacturing input costs for nine months, linked in turn mainly to reduced global commodity prices.

Looking ahead, the forward-looking indicators point to a risk of growth slowing in November. Service sector expectations of activity in the year ahead hit a ten-month low, while the manufacturing orders-to-inventory ratio dipped to its weakest for nine months.

The region's two largest economies – Germany and France – both saw growth accelerate in October, with the former enjoying the stronger pace of expansion. However, although still only modest,

growth of business activity in France – a laggard in the region’s current recovery – was the second-fastest seen for just over four years.

Growth also picked up slightly in the rest of the region, but remained below the pace seen earlier in the year.

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

“The PMI brings welcome news that the eurozone economy picked up some momentum in October. With new business growing at the fastest rate for six months, firms were encouraged to boost staffing levels again.

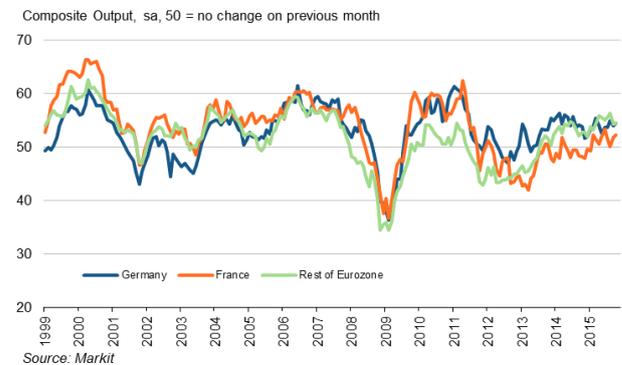
“However, the PMI remains at a level signalling a modest 0.4% quarterly rise in GDP, suggesting the region will struggle to attain more than 1.5% overall growth in 2015. The rate of job creation, although on the rise, remains insufficient to make serious headway into reducing unemployment.

“The renewed fall in output prices meanwhile suggests that inflation will remain in negative territory as we head towards the end of the year.

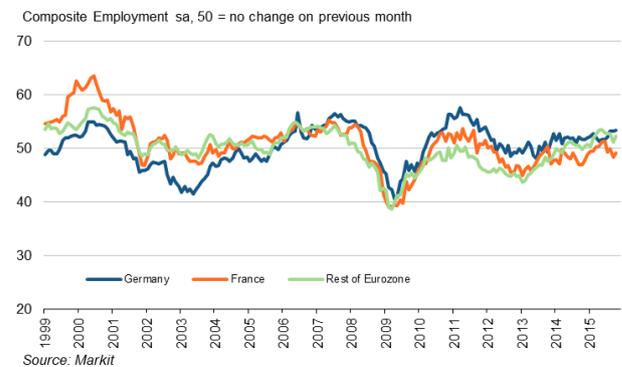
“Unless the PMI business activity and price indices pick up significantly in coming months, the combination of relatively weak growth and deflation signalled by the survey will fuel expectations that the ECB will step up its quantitative easing programme at the December meeting.”

-Ends-

Core v. Periphery PMI Output Indices



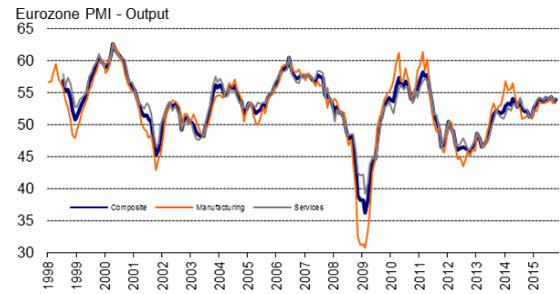
Core v. Periphery PMI Employment Indices



Summary of October data

| | | |
|--------------------------|------------------|--|
| Output | Composite | Output growth picks up from September's four-month low. |
| | Services | Services growth remains solid and accelerates slightly. |
| | Manufacturing | Growth of manufacturing output slows to weakest since May. |
| New Orders | Composite | New business rises at fastest rate in six months. |
| | Services | Growth in services new business fastest since April. |
| | Manufacturing | Manufacturing new order growth weakest since July. |
| Backlogs of Work | Composite | Outstanding business rises for fifth month running. |
| | Services | Incomplete business grows at fastest pace since February. |
| | Manufacturing | Backlogs rise only marginally. |
| Employment | Composite | Employment increases for twelfth consecutive month. |
| | Services | Rate of job creation at five-month high. |
| | Manufacturing | Jobs increase at slowest pace since February. |
| Input Prices | Composite | Input cost inflation remains modest. |
| | Services | Input prices rise solidly. |
| | Manufacturing | Input prices fall at sharpest rate since January. |
| Output Prices | Composite | Charges fractionally lower than in September. |
| | Services | Service providers hold charges constant. |
| | Manufacturing | Factory gate prices fall for second month running. |
| PMI⁽³⁾ | Manufacturing | Manufacturing PMI unchanged from September's five-month low of 52.0. |

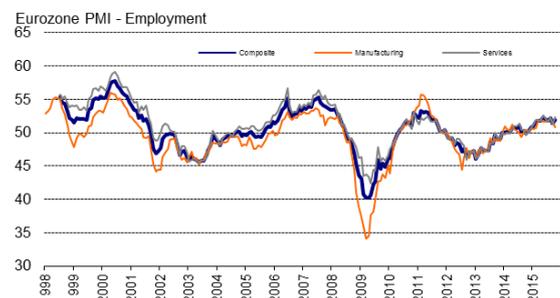
Output



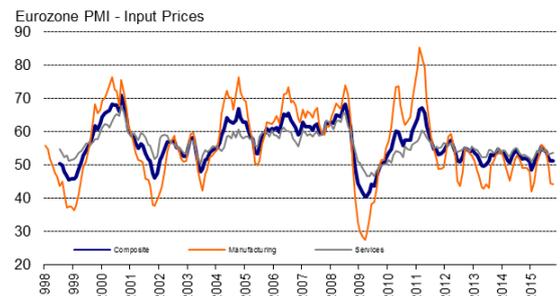
New business



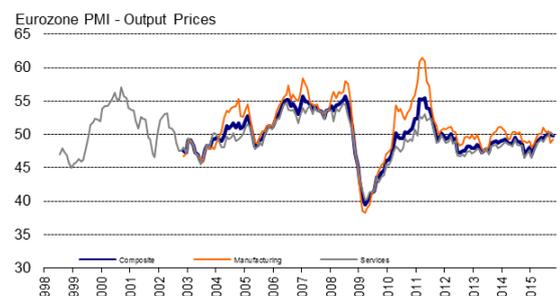
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final October data are published on November 2 for manufacturing and November 4 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 4,000 people in 11 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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