

News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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Markit Eurozone Manufacturing PMI® – final data

Manufacturing recovery continues at start of final quarter

Data collected 11-24 October.

- Final Eurozone Manufacturing PMI posts 51.3 in October, unchanged from flash estimate
- Modest and fragile recovery continues...
- ...and remains broad-based with growth seen in all nations bar France and Greece

Manufacturing PMI® (overall business conditions)

Eurozone Manufacturing PMI, sa, 50 = no change



The eurozone manufacturing sector carried its modest third quarter recovery into the final quarter of the year. Though modest overall, growth continued to come from a broad base with expansions signalled in all but two of the nations covered by the survey. Only France and Greece saw deteriorating conditions, while rates of growth accelerated in Austria, Germany, Ireland and Spain.

At 51.3 in October, edging higher from 51.1 in September, the seasonally adjusted **Markit Eurozone Manufacturing PMI®** signalled an improvement in overall operating performance for the fourth straight month. The final reading was also unchanged from the earlier flash estimate released on 24th October.

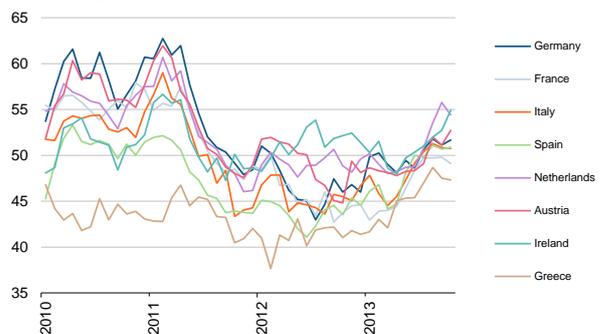
Ireland climbed to the top of the eurozone PMI league table, overtaking the Netherlands which slipped to second place. Growth hit a near two-and-

a-half year peak in Austria and ticked higher in Germany, Ireland and Spain, but slowed slightly in Italy. The rates of contraction in France and Greece were the sharpest for four and three months respectively.

Countries ranked by Manufacturing PMI®: Oct.

| | | |
|-------------|-------------------|---------------|
| Ireland | 54.9 | 30-month high |
| Netherlands | 54.4 | 2-month low |
| Austria | 52.7 | 28-month high |
| Germany | 51.7 (flash 51.5) | 2-month high |
| Spain | 50.9 | 2-month high |
| Italy | 50.7 | 3-month low |
| France | 49.1 (flash 49.4) | 4-month low |
| Greece | 47.3 | 3-month low |

Manufacturing PMI, sa, 50 = no change



Eurozone manufacturing **production** and **new orders** both rose for the fourth consecutive month in October. The rate of growth in output volumes was the second-strongest for almost two-and-a-half years, bettered only by that signalled in August.

The latest data also suggested that eurozone manufacturers should eke out further production growth in the coming months. Apart from the nascent recovery in new orders, October saw **stocks of finished goods** fall further and **backlogs of work** edge higher.

New export orders also rose for the fourth month running in October, with the rate of increase still tracking close to August's 27-month high.

Greece was the only nation to report a decline in new export orders during October. Italy, Spain, the Netherlands, Ireland and Austria all reported solid growth, while the two largest eurozone economies registered the weakest rates of expansion in the latest period. Growth hit a 29-month high in France but remained modest overall, while German new export orders rose at the slowest rate in the current three-month sequence.

Eurozone manufacturing **employment** declined for the twenty-first successive month in October, with cuts to payroll numbers mainly reflecting subdued demand growth and cost caution. These factors also affected **purchasing levels**, which were broadly unchanged over the month.

Ireland reported a solid increase in staffing levels during October, while modest job creation was also reported in the Netherlands and Austria. Manufacturing employment fell at faster rates in Germany, France, Spain and Greece, with the latter two countries again posting the steepest overall declines. The rate of job shedding at Italian goods producers was the slowest since February 2012.

Average **input prices** increased for the second month running in October, following a seven-month sequence of declining purchase prices. The rate of cost inflation was the sharpest since December last year, but still below the long-run survey average.

The latest survey provided some signs that cost pressures may rise further in the coming months. This was provided by **supplier delivery times** – a bellwether of future input price trends – deteriorating for the fourth month running and to the greatest extent since June 2011.

Companies' pricing power remained muted in response. **Output charges** rose for the second successive month, but the rate of inflation remained marginal as competition remained strong and market demand lacklustre. Germany, Spain, the Netherlands and Ireland all reported higher selling prices in October.

Comment:

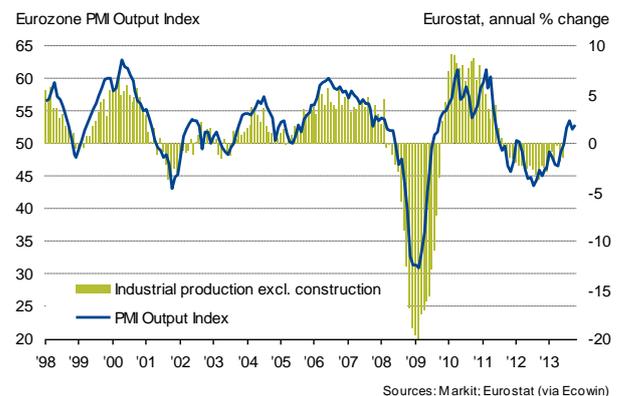
Chris Williamson, Chief Economist at Markit said:

"The eurozone manufacturing economy is undergoing its strongest growth period for two-and-a-half years, since the mounting uncertainty caused by the escalating sovereign debt crisis hit businesses hard in 2011.

"While it is in some respects disappointing that the PMI has failed to show a steeper pick-up over the last two months, the recent growth revealed by the survey indicates a marked turnaround in the health of the manufacturing economy. While the survey was signalling a 2-3% annual rate of decline in industrial production earlier in the year, a 2-3% rate of expansion is now being indicated.

"However, while the recovery goes on, it is by all measures frustratingly slow. In particular, the modest gains in output and new orders remain insufficient to encourage firms to take on more staff.

"More encouraging indications about the recovery can be gained by looking at the increasingly broad-based nature of the upturn, and especially the fact that increasingly robust gains in production are now being seen in countries such as Spain, Italy and Ireland, to suggest that structural reforms to boost competitiveness are starting to pay off."



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Note to Editors:

The Eurozone Manufacturing *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of around 3,000 manufacturing firms. National data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. These countries together account for an estimated 90% of Eurozone manufacturing activity.

The final Eurozone Manufacturing *PMI* follows on from the flash estimate which is released a week earlier and is typically based on approximately 85%–90% of total *PMI* survey responses each month. The October flash was based on 93% of the replies used in the final 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 Manufacturing <i>PMI</i> [®] | 0.0 | 0.2 |

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 revised data are available to subscribers from Markit. Please contact economics@markit.com.

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About PMIs

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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