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News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:00 (UK Time) 5 November 2014

Markit Eurozone Composite PMI® – final data

Includes Markit Eurozone Services PMI®

Eurozone economy stymied by weak demand and renewed job losses

- Final Eurozone Composite Output Index: **52.1** (Flash 52.2, September 52.0)
- Final Eurozone Services Business Activity Index: **52.3** (Flash 52.4, September 52.4)

The eurozone saw growth stabilise at the start of the final quarter. The rate of economic expansion was little-changed from September's ten-month low, with modest output growth registered at manufacturers and service providers alike. Job losses were reported for the first time since November 2013, while price pressures remained muted.

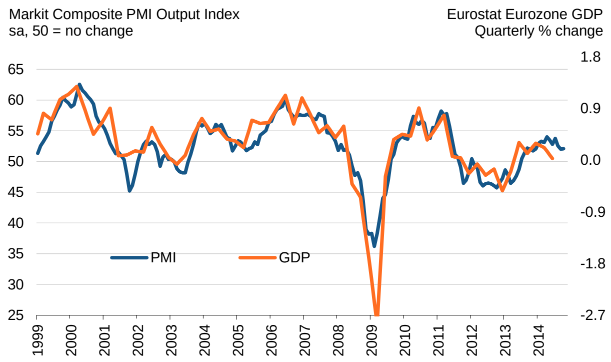
The final **Markit Eurozone *PMI*® Composite Output Index** edged higher to 52.1, up from 52.0 in the prior month. The headline index has now remained in expansion territory for 16 successive months.

Ireland and Spain remained at the head of the PMI output growth table in October. Rates of increase in business activity ticked higher in both nations to recoup some of the momentum ceded in the prior month. Germany also posted a solid expansion and Italy edged back into expansion. In contrast, the rate of contraction in France accelerated to a four-month record.

The main factor stymieing output growth was the subdued trend in new business inflows. The level of new work placed in the eurozone rose only marginally and to the weakest degree during the current 15-month sequence of expansion.

Underlying the slowdown in new order growth were lacklustre domestic market conditions, slower global economic growth and ongoing client uncertainty. Ireland, Spain and Germany all reported increases in new business, but this was partly offset by contractions in Italy (fastest in 11 months) and France (steepest in 16 months).

Markit Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

Nations ranked by all-sector output growth* (Oct.)

Ireland	60.2	2-month high
Spain	55.5	2-month high
Germany	53.9 (flash: 54.3)	2-month low
Italy	50.4	3-month high
France	48.2 (flash: 48.0)	4-month low

**All-Sector Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on page 3 of this press release.*

With new work rising at a slower pace and backlogs of work falling for the fifth month running, job losses were reported for the first time in almost a year. Cuts at service providers were only partly offset by a marginal gain in manufacturers' payroll numbers. Employment rose in Germany, Spain and Ireland, but fell in France and Italy.

Weaker market conditions and efforts to boost sales led to a solid reduction in selling prices in October, the steepest since the global crisis. In contrast, input costs continued to rise, although the rate of inflation was modest by the historical standards of the survey. Manufacturers reported a slight drop in purchase prices, mainly due to the lower costs of commodities and fuel.

Services:

The slowdown in the eurozone service sector endured during October, with rates of expansion in business activity and new orders the weakest since March and January respectively. Adding to the subdued backdrop was a dip in business optimism† to a 16-month low which, combined with the current slowdown, led firms to cut employment for the first time in seven months.

The **Eurozone Services Business Activity Index** posted 52.3 in October, down from September's 52.4 and below the flash estimate (also 52.4).

Business activity nonetheless rose for the fifteenth successive month in October. Germany, Spain and Ireland all reported solid increases of output – with Ireland seeing the strongest rate of growth – while Italy climbed back into expansion territory. France remained a cause for concern, however, as its rate of contraction accelerated.

Weaker growth of new business not only contained efforts to raise output further, but also held down average selling prices. Output charges declined at the fastest pace since February 2010, as firms looked to boost sales.

All of the big-four nations reported lower selling prices. The reduction in Germany was only slight, while discounting was much steeper in France, Italy and Spain.

Average input prices rose again in October, with the rate of inflation ticking up from September's five-month low. Steeper cost rises were reported in Germany and Ireland, whereas the rate of inflation eased sharply in Italy.

Service sector employment fell slightly in October. Job creation remained strong in Ireland, but eased to a seven-month low in Germany. Spain reported a return to jobs growth, in contrast to the cuts registered in France and Italy. A further decline in backlogs of work at eurozone service providers, the sharpest since mid-2013, also bodes negatively for the trend in employment in coming months.

† *for business optimism, 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:

"The eurozone PMI makes for grim reading, painting a picture of an economy that is limping along and more likely to take a turn for the worse than spring back into life. While output grew at a slightly faster rate than in September, consistent with quarterly GDP growth of 0.2%, a near-stagnation of new orders, with the worst reading for 15 months, suggests that the pace of growth may deteriorate in coming months.

"A fall in employment for the first time since November casts a further cloud over the outlook. Firms are often being forced to cut employment due to squeezed profits margins. Input costs are rising but prices charged for goods and services have fallen almost continually over the past three years, with the rate of decline accelerating to the fastest seen over this period in October as companies increasingly turn to discounting to help boost sales.

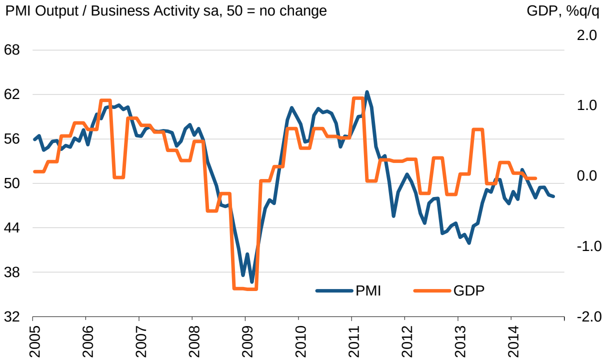
"While beneficial to the consumer, the resulting squeeze on profit margins is damaging in the longer term and will result in lower employment and investment.

"The combined threat of economic stagnation and growing deflationary risks will add to pressure on the ECB to do more to stimulate demand in the euro area, strengthening calls for full-scale quantitative easing.

"Of the largest euro members, the picture is darkest in France, where the PMI remained in contraction territory. Italy is also a major concern, with the PMI indicating economic stagnation. The scene is brighter in Germany, where the PMI points to an economy growing at a rate of 0.4%, and in Spain, where growth of 0.5% is indicated. This varying performance across the region clearly muddies the picture for policymakers."

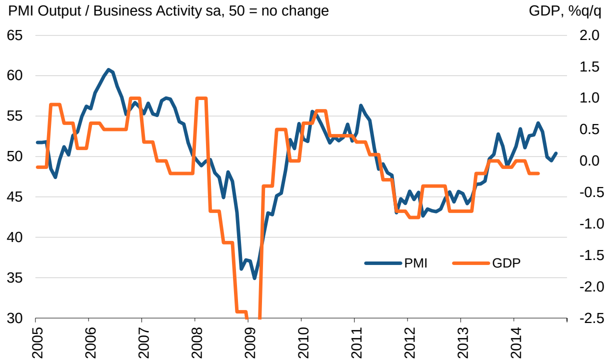
-Ends-

France



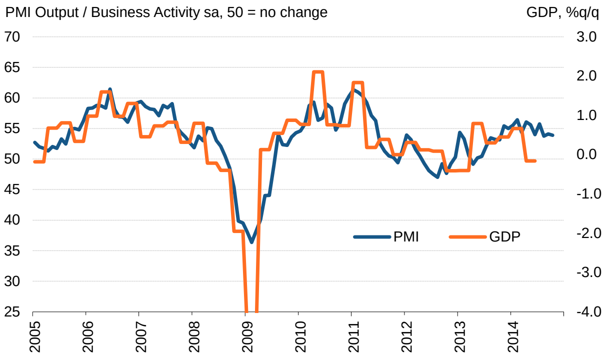
Source: Markit, INSEE GDP = gross domestic product

Italy



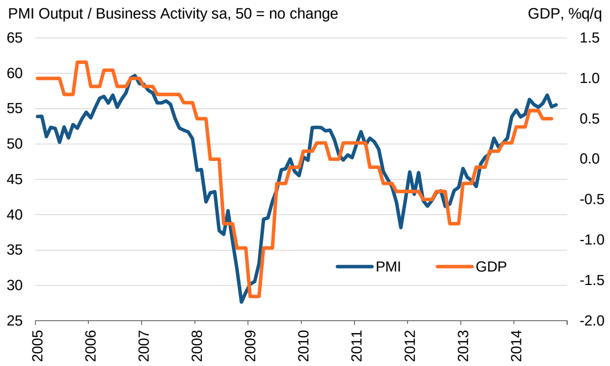
Source: Markit, ISTAT GDP = gross domestic product

Germany



Source: Markit, FSO. GDP = gross domestic product

Spain



Source: Markit, INE. GDP = gross domestic product

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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 October composite flash was based on 80% of the replies used in the final data. The October services flash was based on 75% of the replies used in the final data. **Data were collected 13-28 October.**

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 *PMI*®	0.0	0.3
Eurozone Services Business Activity *PMI*	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.

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 3,000 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 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.