

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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Markit Eurozone Composite PMI[®] – final data

Includes Markit Eurozone Services PMI[®]

Eurozone expands for fourth month running in October

- Final Eurozone Composite Output Index: **51.9** (Flash 51.5, September 52.2)
- Final Eurozone Services Business Activity Index: **51.6** (Flash 50.9, September 52.2)

The eurozone private sector maintained its fragile and modest economic recovery at the start of the final quarter. October PMI data from Markit signalled that business activity in the currency union expanded for the fourth successive month.

Although a slight dip in the final **Markit Eurozone PMI[®] Composite Output Index** to 51.9 in October, from a 27-month high of 52.2 in September, was a disappointment in itself, the index was above the flash estimate (51.5). This suggested that the slowdown was less marked than originally thought.

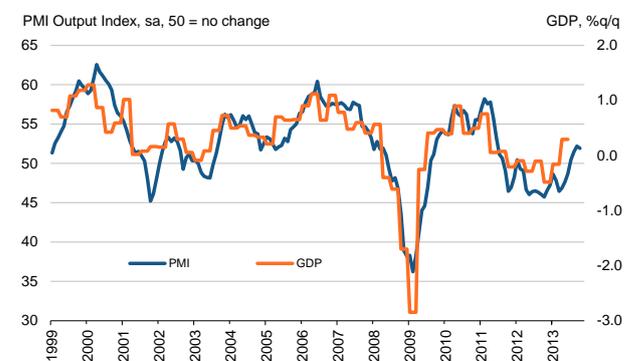
The latest output expansion was led by accelerated growth at manufacturers. Service sector business activity rose for the third month running, but the pace of increase was slower than in September.

October saw growth in Germany continue to track at a pace close to August's seven-month peak, while the stabilisation in France was maintained and the upturn in the periphery took further hold.

Ireland was a strong performer, with output expanding at the fastest pace for over six-and-a-half years. Growth was also maintained in Italy, while Spain registered a stable trend in output following September's mild contraction.

Growth of eurozone output was supported by a further expansion of new business in October. Demand growth accelerated in Germany (to a two-month high) and Spain (42-month record), but slowed slightly in Italy. New orders declined in France following a marginal increase in September.

Markit Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

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

Ireland	58.8	80-month high
Germany	53.2	Unchanged
Italy	51.3	2-month low
France	50.5	Unchanged
Spain	50.1	2-month high

The weaker growth of new order inflows led to a further drop in payroll numbers. October saw employment fall for the twenty-second successive month, with the rate of loss accelerating slightly since September. Modest cuts were reported in both the manufacturing and service sectors.

Ireland reported strong job creation, while France saw a slight increase following a 19-month sequence of cuts. This was offset by a marginal decrease in German employment and further solid job losses in both Italy and Spain.

Input cost inflation hit a nine-month high in October, but nonetheless remained historically weak. Firms' pricing power was muted in comparison, with average selling prices declining for the nineteenth month in a row. Only Germany reported an increase in output charges.

Services:

At 51.6 in October, from 52.2 in September, the **Services Business Activity Index** signalled an increase in business activity for the third month running. Although the rate of expansion was slower than the previous month, the final index reading was above the earlier flash estimate (50.9).

The upward revision between the flash and final releases reflected broadly similar revisions to the readings for Germany, France and (on average) outside of the big-two nations.

Ireland saw a marked acceleration in output growth in October, whereas rates of increase eased in Germany, Italy and France. In contrast, Spain saw a further modest decrease in business activity.

The latest expansion in service sector output was underpinned by a further increase in intakes of new business. New orders rose for the third consecutive month, but only moderately and to a lesser extent than in September.

The weaker trend in new business inflows led to a slight decrease in staffing levels, following no net change in employment during the prior month. Job creation remained strong in Ireland and was recorded in France for the first time in one-and-a-half years. Germany saw a slight decrease in payroll numbers, while solid cuts were registered in both Italy and Spain.

Service sector input prices rose again in October, extending the current sequence of inflation to almost four years. The rate of increase was slightly faster than one month earlier, but weaker than the long-run survey average.

Companies' pricing power remained subdued in comparison, with average service charges falling for the twenty-third month in a row. The rate of decrease nonetheless eased for the third month running to the weakest since May last year.

Output prices rose marginally in Germany, while rates of decline eased in Italy, Spain and Ireland. Only France reported a sharper rate of price discounting.

The outlook for the eurozone service sector remained positive in October. The degree of positivity about levels of activity in one year's time was similar to September's one-and-a-half year high and improved in all nations bar Italy.

Comment:

Chris Williamson, Chief Economist at Markit said:

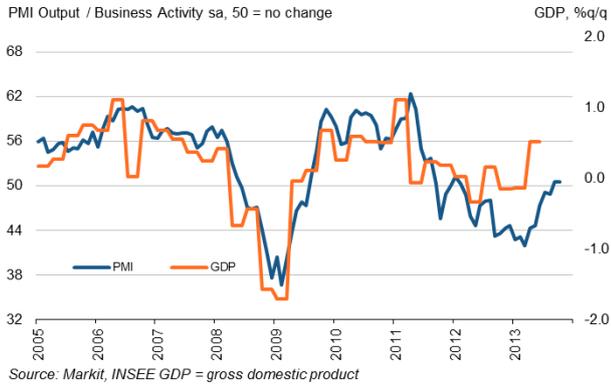
"The euro area economic recovery lost less momentum than first estimated in October. The final reading of the October Eurozone PMI came in above the flash estimate, but still fell compared with September to signal an easing in the already-modest pace of expansion. The survey signals a mere 0.2% quarterly growth rate at the start of the fourth quarter, unchanged on the third quarter.

"The loss of momentum raises concerns that the upturn is faltering and piles further pressure on the European Central Bank to reinvigorate the recovery, especially as a drop in inflation to a near four-year low of 0.7% – well below the ECB's target rate of 2.0% – has raised concerns about deflation taking hold.

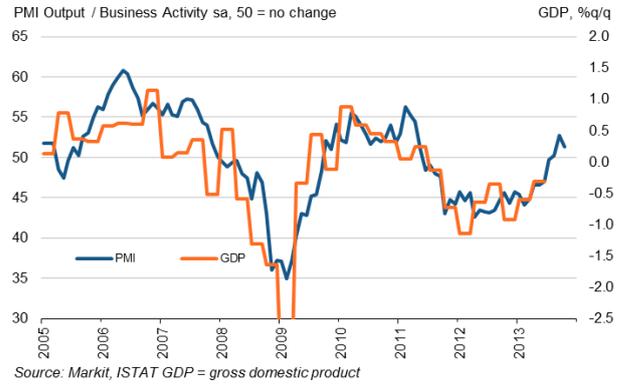
"The case for renewed stimulus is by no means clear cut, however, as policymakers will note that the economy has shown a major turnaround so far this year. Having signalled a steep rate of contraction during the early months of 2013, the PMI has indicated growth in each of the past four months, and expansion is now being seen across the board in Germany, France, Italy and Spain. Most impressive is the surging pace of growth seen in Ireland, where growth is the strongest since 2006."

-Ends-

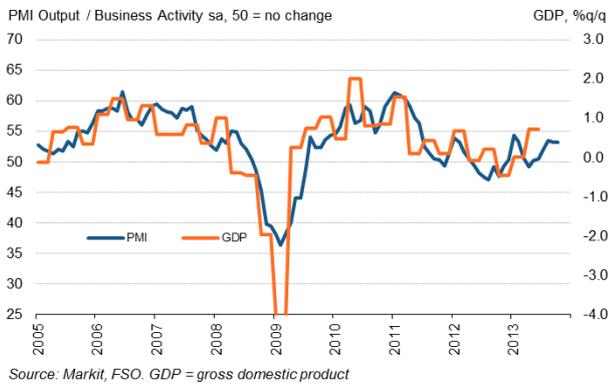
France



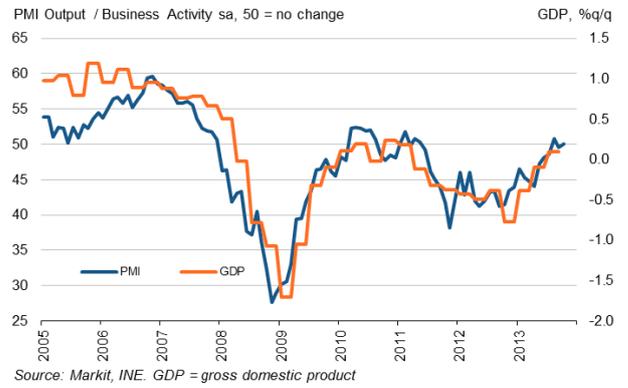
Italy



Germany



Spain



For further information, please contact:

Markit

Chris Williamson, Chief Economist
 Telephone +44-20-7260-2329
 Mobile +44-779-5555-061
 Email chris.williamson@markit.com

Rob Dobson, Senior Economist
 Telephone +44-1491-461-095
 Mobile +44-7826-913-863
 Email rob.dobson@markit.com

Caroline Lumley, Director, Corporate Communications
 Telephone +44-20-7260-2047
 Mobile +44-7815-812-162
 Email caroline.lumley@markit.com

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 80% 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 89% of the replies used in the final data. The October services flash was based on 82% of the replies used in the final data. **Data were collected 11-28 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 <i>PMI</i> [®]	0.0	0.3
Eurozone Services Business Activity <i>PMI</i>	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

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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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