News Release

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:00 (UK Time), 2 January 2015

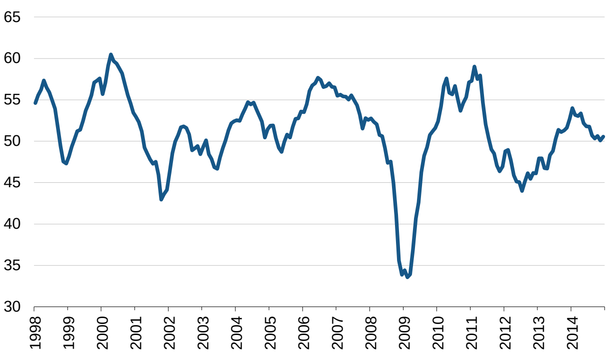
Markit Eurozone Manufacturing PMI® – final data

Eurozone manufacturing remains near-stagnant at year-end

Data collected 4-16 December.

- Final Eurozone Manufacturing PMI at 50.6 in December (Flash: 50.8, November Final:50.1)
- Downturns continue in France and Italy; German output growth remains modest
- Input costs and selling prices fall further

Manufacturing PMI® (overall business conditions)



Source: Markit.

The eurozone manufacturing sector ended 2014 on a subdued note, as rates of growth for output, new orders and employment all continued to track close to stagnation. At 50.6 in December, the final seasonally adjusted **Eurozone Manufacturing PMI®** was up slightly from November's low of 50.1, but edged down from the flash estimate of 50.8.

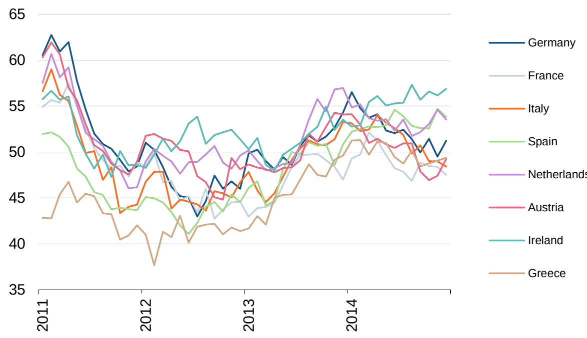
The average PMI reading over the final quarter as a whole (50.4) puts the manufacturing sector on course for its worst growth outcome since the current recovery started in Q3 2013. The quarterly averages for the output and new orders indices are similarly the weakest during that sequence.

December saw the slowest output growth during the current one-and-a-half year period of sustained expansion. However, there was a mild improvement in new order inflows, which rose slightly for the first time in four months. Although domestic market conditions remained lacklustre, the trend in new export business* provided a positive contribution to total order books. The growth rate of new export orders rose to a three-month high.

**Including intra-eurozone trade.*

Countries ranked by Manufacturing PMI®: Dec.

Ireland	56.9	4-month high
Spain	53.8	2-month low
Netherlands	53.5	2-month low
Germany	51.2 (flash 51.2)	2-month high
Greece	49.4	4-month high
Austria	49.2	4-month high
Italy	48.4	19-month low
France	47.5 (flash 47.9)	4-month low



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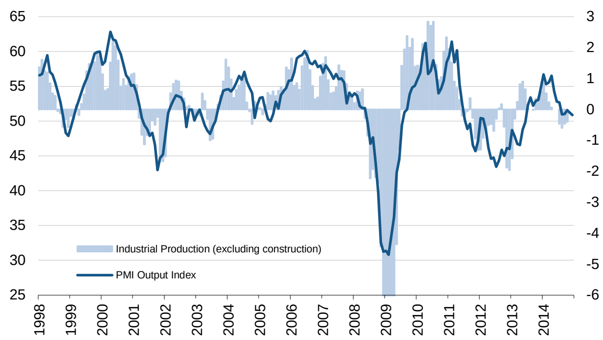

Sources: Markit, Eurostat

The performances of the big-three manufacturing nations remained subdued in December. The downturns in France and Italy continued, as both were hit by declining inflows of new business.

France subsequently fell back to the bottom of the PMI league table. Manufacturers there scaled back production to the greatest extent since July, while inflows of new work decreased from both the domestic and non-domestic markets. The Italian PMI meanwhile dipped to a 19-month low.

The performance of Germany also remained subdued, although there were some positive signs as its PMI rose back above the 50.0 no-change mark. Output growth picked up from November's 17-month low, while new orders and new export orders rose modestly following declines in November.

Elsewhere in the currency union, Ireland, Spain and the Netherlands all reported solid improvements in performance, while Austria and Greece saw modest (yet slower) deteriorations.

Manufacturing employment rose for the fourth successive month in December, with job creation registered in Germany, Spain, the Netherlands, Ireland and Greece (the first increase in Greece for seven months). In contrast, rates of reduction accelerated in France and Italy.

The overall increase in workforce numbers meant firms were able to maintain production growth and make further inroads into backlogs of work. Outstanding business fell for the eighth month running, albeit to a less marked extent than in November.

Cost pressures remained on the downside during December, in many cases due to the ongoing reduction in international oil prices. Average purchasing costs declined to the greatest extent in eight months. Input prices fell at the fastest rates for eight months in both Germany and Austria, and for 17 months in the Netherlands. France also reported a slight decrease in purchasing costs.

Selling prices also fell during the latest survey month, although the pace of decrease was only weak and the slowest during the current four-month sequence of decline. Only Spain and Ireland reported higher output charges, and only marginal increases in both cases.

Comment:

Chris Williamson, Chief Economist at Markit said:

"Eurozone factory activity more or less stagnated again in December, rounding off a year which saw an initial, promising-looking upturn fade away and stall in the second half of the year. The weakness of factory output, combined with the subdued service sector growth signalled by the flash PMI, suggests the eurozone economy grew by just 0.1% in the fourth quarter.

"The crisis in Ukraine and a renewed lack of confidence in the ability of euro area policymakers to revive the region's economy appear to have been the main catalysts to fuel increased economic uncertainty, causing companies to grow more risk averse and pull back on expansion plans.

"Some promising signs of life persist, notably in Spain, the Netherlands and Ireland, where factory output is rising largely on the back of increased exports. It's a very different story in France, Italy, Austria and Greece, where falling order books are weighing on factory production. The ongoing weakness of German manufacturing also remains major source of concern, but there are signs that order book growth could be turning around, with inflows of new work edging higher for the first time in four months.

"We should hopefully see growth pick up in coming months. Lower costs, linked to falling oil prices, are helping manufacturers to reduce their selling prices, and the drop in fuel prices should also boost consumer spending.

"Expectations have risen that the ECB will also announce more aggressive policy stimulus in the New Year once it has had time to assess current policy initiatives. The overall weakness of the Eurozone PMI supports the case for more stimulus, though some policymakers may see the signs of life in countries such as Ireland and Spain as indications that existing policy measures are already taking effect and more patience is needed before new measures are instigated."

-Ends-

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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 89% 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 December 2014 flash was based on 89% 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 *PMI*®	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 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.