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News Release

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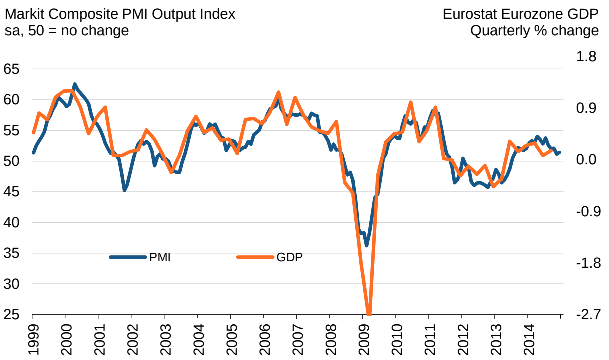
Markit Eurozone Composite PMI® – final data

Includes Markit Eurozone Services PMI®

Eurozone posts slowest economic growth for over a year in fourth quarter

- Final Eurozone Composite Output Index: **51.4** (Flash 51.7, November 51.1)
- Final Eurozone Services Business Activity Index: **51.6** (Flash 51.9, November 51.1)

Markit Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

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

Ireland	61.0	4-month high
Spain	54.3	2-month high
Germany	52.0 (flash: 51.4)	2-month high
France	49.7 (flash: 49.1)	8-month high
Italy	49.4	13-month low

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

Eurozone economic activity increased for the eighteenth successive month in December, with the latest PMI data signalling a mild gain in growth momentum at year-end. However, the rate of expansion remained among the weakest seen over the past year-and-a-half.

At 51.4 in December, from 51.1 in November, the final **Markit Eurozone *PMI*® Composite Output Index** was below the flash estimate of 51.7. Moreover, the average reading over the final quarter as a whole (51.5) is the worst performance since the third quarter of 2013.

The slight improvement in growth momentum in December was centred on the service sector, where business activity rose at a faster pace. Manufacturing production also continued to increase, but to the least marked degree during the current one-and-a-half year sequence of expansion. The gains signalled in both sectors were also only modest overall.

Weakness was again evident in the big-three economies of Germany, France and Italy. German economic output posted a mild acceleration at year-end, but the rate of expansion was still lacklustre compared with earlier in 2014 as December saw inflows of new work fall for the second straight month.

Output in France fell for the eighth month running, as a slight recovery in service sector business activity failed to offset the deepening downturn in production at manufacturers. Overall new orders posted a modest gain for the first time in four months, but the data by sector showed that this was despite a severe reduction in manufacturing. Italy, meanwhile, fell back into contraction, as levels of output and new business both decreased over the month.

Better news was signalled in Ireland and Spain, which both saw strong and accelerated increases in economic activity and total new business.

Eurozone employment rose for the second month in a row during December. Workforce numbers increased in Germany, Spain and Ireland, offsetting further reductions in France and Italy.

Input cost inflation eased to an eight-month low in December, as lower oil and commodity prices bought down costs at manufacturers to offset an increase at service providers. Output charges fell again, however, as companies faced weak demand and strong competition.

Services:

The eurozone service sector remained on a soft track at the end of 2014. Although growth of business activity and new orders was recorded, with trends in both improving on those signalled in November, rates of expansion were only modest in both cases. A further drop in backlogs of work and muted business confidence† also highlighted the underlying subdued conditions in the sector.

At 51.6 in December, up from November's 11-month low of 51.1, the **Eurozone Services Business Activity Index** remained above the neutral 50.0 mark for the seventeenth month in a row but came in below the flash estimate of 51.9.

Over the three months to December, the average business activity index reading of 51.7 was the lowest for a calendar quarter since the same quarter of 2013 (51.2).

December saw the big-three economies continue to report lacklustre service sector performances. Output growth in Germany stabilised at November's 16-month low, while Italy fell back into contraction for the first time since September.

Germany and Italy were both impacted by declining inflows of new business, with new orders falling for the first time in one-and-a-half years in the former and for the second straight month in the latter. Although France reported increases in business activity and new orders for the first time in four months, rates of expansion were only moderate.

Better news came from Ireland and Spain, which both reported solid and accelerated growth of business activity and new orders at year-end.

Service sector employment rose for the second successive month in December. Although the rate of jobs growth remained only mild, it was nonetheless the fastest signalled since July. Workforce numbers were raised in Germany, Ireland and Spain, reduced further in France and were broadly unchanged in Italy.

Cost inflation eased to a 58-month low in December, with slower increases signalled in Germany, Italy and Ireland. In contrast, output charges fell for the thirty-seventh month in a row amid weak demand and strong competition.

† *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 economy ended 2014 with its worst quarter for over a year. There's some relief in that the rate of growth picked up slightly in December, rather than easing further, but the PMI reading was still the second-lowest seen for 17 months, highlighting another disappointing lacklustre performance. GDP looks set to rise by a mere 0.1% in the fourth quarter. The eurozone will look upon 2014 as a year in which recession was avoided by the narrowest of margins, but the weakness of the survey data suggests there's no guarantee that a renewed downturn will not be seen in 2015.

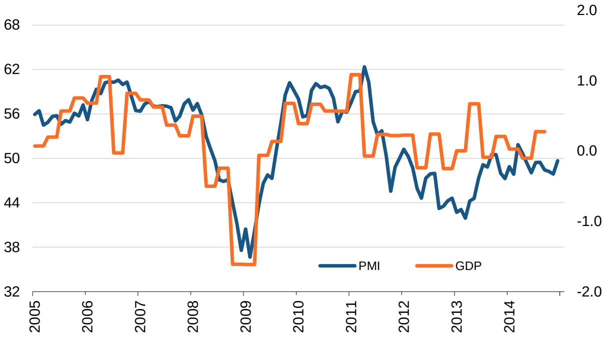
"Of greatest concerns are the ongoing downturns in France and Italy, alongside the stuttering performance seen in Germany. Any signs of life, with Ireland and Spain most notable in seeing their best growth spells since the global financial crisis, are in danger of being extinguished by malaise spreading from the region's largest economies unless business and consumer confidence revives.

"The weakness of the PMI in December will add to calls for more aggressive central bank stimulus, including full-scale quantitative easing, to be undertaken as soon as possible. However, with lower oil prices set to reduce businesses' costs and boost consumer spending, the outlook has brightened, and policymakers may choose to wait and see if the rate of growth continues to pick up before making firm decisions on whether such controversial steps need to be taken."

-Ends-

France

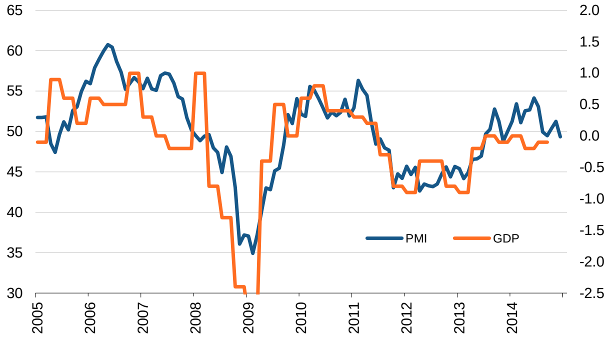
PMI Output / Business Activity sa, 50 = no change GDP, %q/q



Source: Markit, INSEE GDP = gross domestic product

Italy

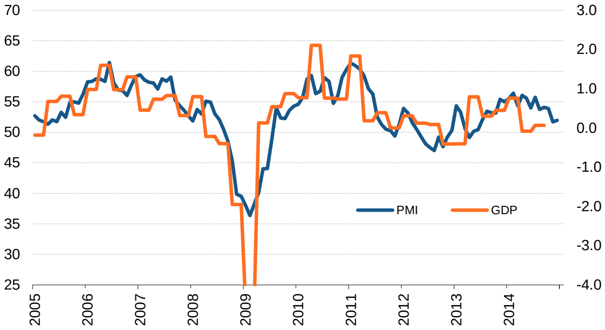
PMI Output / Business Activity sa, 50 = no change GDP, %q/q



Source: Markit, ISTAT GDP = gross domestic product

Germany

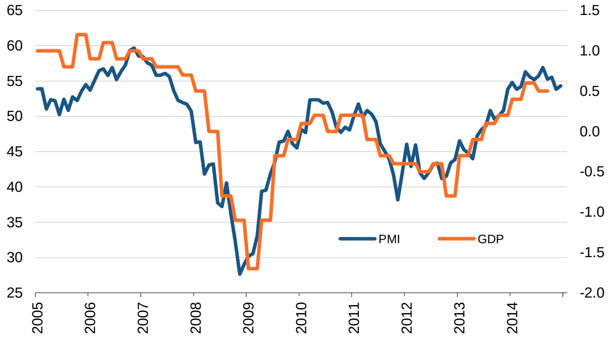
PMI Output / Business Activity sa, 50 = no change GDP, %q/q



Source: Markit, FSO. GDP = gross domestic product

Spain

PMI Output / Business Activity sa, 50 = no change GDP, %q/q



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 December composite flash was based on 85% of the replies used in the final data. The December services flash was based on 79% of the replies used in the final data. **Data were collected 4-18 December.**

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.