

News Release

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

Includes Markit Eurozone Services PMI®

Eurozone economy expands at fastest pace in over two years

- Final Eurozone Composite Output Index: **51.5** (Flash 51.7, July 50.5)
- Final Eurozone Services Business Activity Index: **50.7**. (Flash 51.0, July 49.8)

The final **Markit Eurozone PMI® Composite Output Index** signalled a second successive monthly expansion in business activity in August. The index rose to 51.5, up from 50.5 in July, to signal the fastest rate of growth in just over two years. The final reading was slightly below the flash estimate of 51.7.

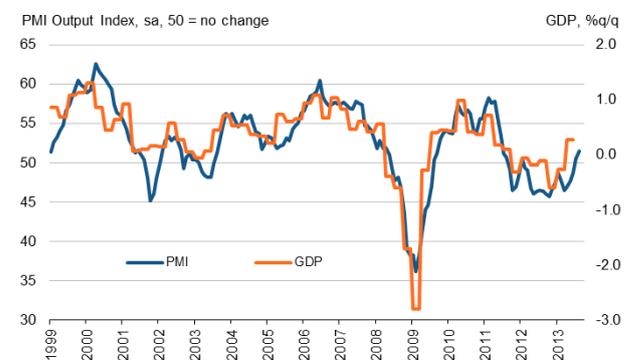
Manufacturing led the upturn in August, seeing production volumes expand to the greatest degree since May 2011. Meanwhile, the service sector moved back into growth territory for the first time in just over one-and-a-half years.

The main factor underpinning the faster expansion of output in August was a return to growth for new order inflows. New business rose for the first time since July 2011, as manufacturing new order growth hit a 27-month record and demand at service providers stabilised.

The early stages of the recovery have yet to filter through to the eurozone labour market, however, as job losses were reported for the twentieth consecutive month. There were signs that capacity was moving more in line with current demand requirements though, as backlogs of work were broadly unchanged over the month.

On the price front, average input costs rose at the fastest pace since January, mainly due to higher oil and fuel prices. Cost inflation remained solid at service providers, while the rate of decline in manufacturers' input prices eased significantly over the month. Average selling prices continued to fall, but the rate of decrease eased to a 15-month low.

Markit Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

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

Ireland	57.6	77-month high
Germany	53.5	7-month high
Spain	50.8	28-month high
Italy	50.3	27-month high
France	48.8	2-month low

Of the big-four eurozone economies, Germany registered the strongest performance during August. Output growth in Germany hit a seven-month high, reflecting faster expansions at both manufacturers and service providers. This failed to create jobs, however, as employment fell for the third time in the past four months. The recovery in Ireland also gathered pace, with output growth hitting a near six-and-a-half year high.

Italy and Spain both moved out of contraction territory in August, halting periods of decline that began in May 2011. Both improvements were led by manufacturers, although Spanish service providers also reported a modest increase in business activity (in contrast to their Italian peers). Both nations continued to report job losses, however.

In contrast, France registered a faster drop in

overall output than in July. The downturn in the service sector moderated slightly, but manufacturing dipped back into contraction.

Services:

At 50.7 in August, up from 49.8 in July, the **Services Business Activity Index** indicated a return to growth for the eurozone service sector. This halted a one-and-a-half year sequence of contraction. However, the final index reading was slightly below the earlier flash estimate of 51.0.

Underpinning the increase in output were a stabilisation in new business inflows (following a 23-month period of decline) and a slight reduction in backlogs of work.

Ireland recorded by far the steepest rate of expansion in business activity of all the nations covered by the survey, with growth hitting a six-and-a-half year high. Germany saw output rise for the third month running, and at the fastest pace since February. Business activity returned to growth in Spain, and moved closer to stabilising in France and Italy.

Business optimism continued to improve, reaching a 17-month high in August. Companies linked their improved outlook for business activity to the recent stabilisation in new order inflows. Confidence strengthened in France and Germany, but weakened in Ireland, Italy and Spain.

Average cost inflation accelerated to a six-month high in August, reflecting higher prices for fuel, oil and associated costs. In contrast, average service charges fell for the twenty-first straight month. Of the five eurozone members surveyed, only Germany reported an increase in charges since July. The sharpest fall in charges was signalled in Spain.

Service sector employment fell for the twentieth month in a row during August, with job losses reported in France, Italy and Spain. Cuts to payroll numbers in these nations offset a solid gain in staffing at Irish service providers and a further marginal increase in Germany.

Comment:

Chris Williamson, Chief Economist at Markit said:

“The eurozone recovery is looking increasingly broad-based, with more sectors and more countries emerging from recession.

“Service sector companies reported the first increase in business activity for a year-and-a-half in August, which follows news from the manufacturing PMI that goods production is now growing at the fastest pace for over two years. Encouragingly, domestic demand is starting to pick up within the euro area, with the region’s [retail PMI](#) also moving into positive territory for the first time in over two years in August.

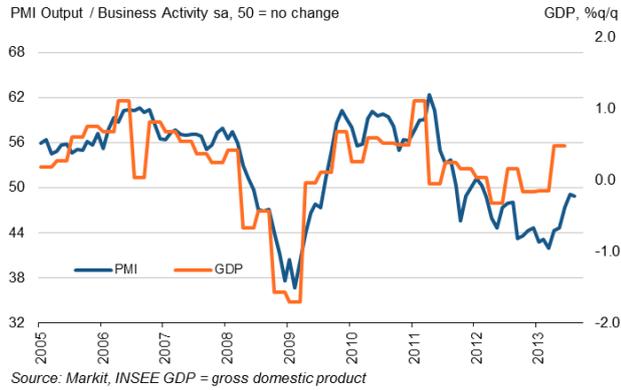
“Spain and Italy have now also joined Germany in returning to growth, and France is seeing a far weaker rate of decline than earlier in the year.

“Although the picture is improving, the survey is still consistent with only very modest economic growth of approximately 0.2% in the third quarter.

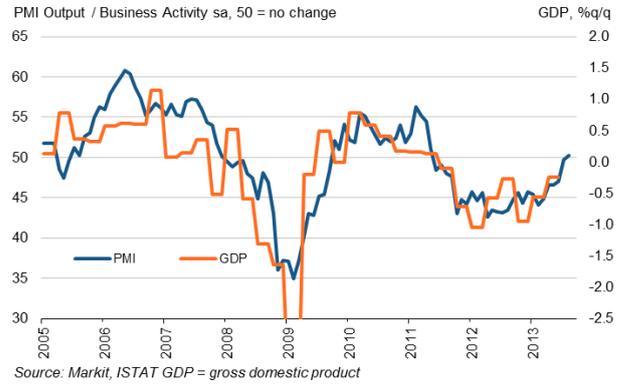
“While policymakers will therefore be pleased to see this growing body of evidence that the euro area recovery is now taking hold, the weakness of growth and ongoing job losses suggest the ECB’s principal focus will be on reassuring markets that rates will not rise for the foreseeable future.”

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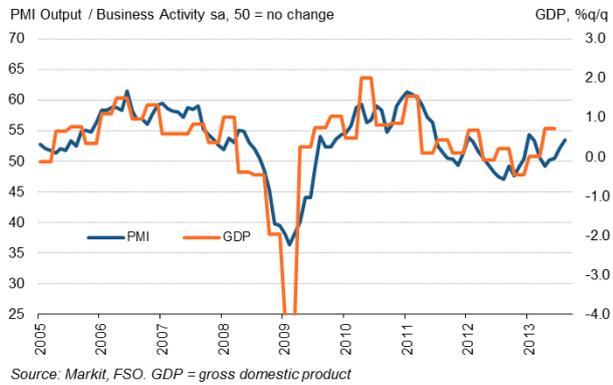
France



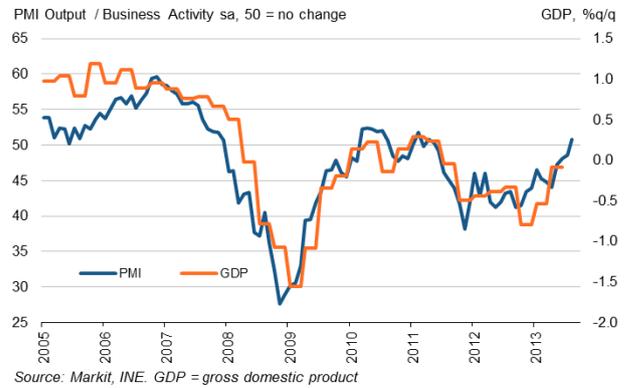
Italy



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 August composite flash was based on 83% of the replies used in the final data. The August services flash was based on 73% of the replies used in the final data. **Data were collected 12-27 August.**

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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