

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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Markit Flash Eurozone PMI[®]

PMI edges lower in May but eurozone remains on course for best quarter for three years

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 53.9 (54.0 in April). 2-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 53.5 (53.1 in April). 35-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 52.5 (53.4 in April). 6-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 54.7 (56.5 in April). 6-month low.

Data collected 12-21 May.

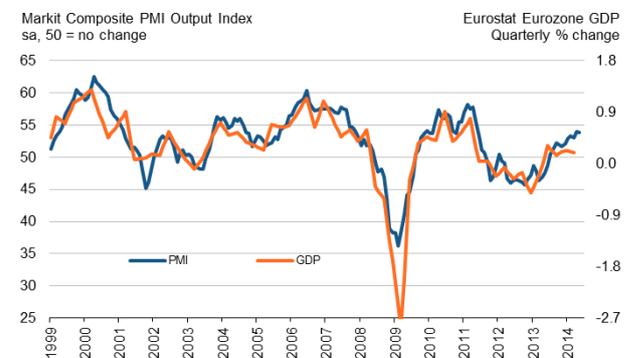
The eurozone is enjoying its best calendar quarter for three years, according to the Markit Eurozone PMI. Despite the 'flash' PMI estimate for May falling from 54.0 in April to 53.9, the latest reading was the second-strongest seen over the past three years and leaves the average for the second quarter so far at the highest since the second quarter of 2011.

An increase in the survey's measure of new orders to its highest since May 2011 also bodes well for further resilient growth of business activity in June.

The ongoing improvement in business conditions was evident in both manufacturing and services, albeit with the rates of growth moving in different directions. While output and new business in the services sector hit the highest since June 2011, manufacturers reported the smallest increases in output and new orders since last November. The slowdown in manufacturing was in part due to weaker export performance, with new export orders showing the smallest increase since July of last year.

Companies across both sectors nevertheless expanded capacity to meet rising demand, collectively taking on staff at the fastest rate since September 2011. Manufacturers boosted their employment numbers for a fifth straight month, although to a lesser extent than the recent peak seen in April, while services providers raised their payroll count for a second straight month. However, in both cases, rates of job creation remained only modest.

Markit (Flash) Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

The cautious approach to hiring in part reflects the fact that, although rising, demand remains weak by the survey's historical standards, and that growth of sales was often only achieved by further discounting. Average prices charged continued to fall in May, declining at an identical rate to April (although a marginal increase in manufacturers' selling prices was recorded, offset by the steepest decline in rates charged for services since November).

Input costs, on the other hand, rose at the fastest rate for three months. When combined with the drop in selling prices, the increase in costs points to a further squeeze on companies' profit margins.

By country, robust growth in Germany again contrasted with a disappointing performance in France. An ongoing robust expansion of output meant the region's largest member state continued to enjoy its best spell of growth for three years. Order book growth also accelerated, prompting German firms to take on staff at the fastest rate since December 2011. Price charged also rose at a slightly increased rate. Faster activity growth in Germany's service sector contrasted with a slowdown in manufacturing.

While Germany enjoyed strong growth, business activity in France fell back into decline, albeit only marginally, contrasting with the modest return to

growth seen in the prior two months. Service sector activity fell for the first time for three months while manufacturers reported the first (marginal) contraction of output since January. Both sectors also saw falling levels of new orders. French firms consequently cut staffing numbers to the greatest extent for three months, and cut average selling prices at the steepest rate for ten months.

Elsewhere across the single currency area, output growth continued to accelerate, reaching the highest since August 2007. New orders meanwhile showed the largest monthly increase since July 2007 and, although rising only modestly, employment increased for a second consecutive month, with the rate of job creation nudging up to the highest since February 2008. Prices charged continued to fall, but at the weakest rate since July 2011.

Commenting on the flash PMI data, **Chris Williamson, Chief Economist at Markit** said:

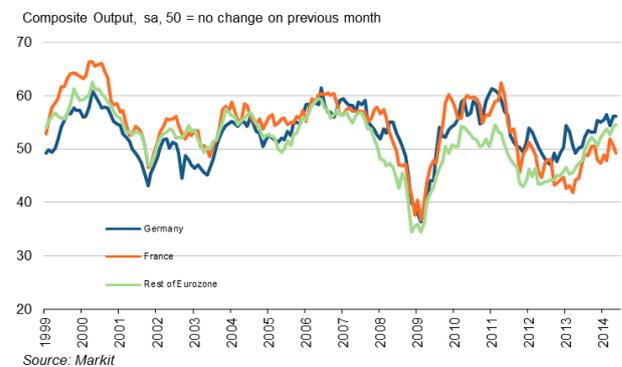
“A slight easing in the euro area’s rate of growth was seen in May but doesn’t change the picture of a region that’s enjoying its best spell of growth for three years, especially when an acceleration in growth of new orders suggests that the pace of expansion could pick up again in June. GDP looks set to rise by 0.5% in the second quarter after the lacklustre 0.2% rise in the first three months of the year.

“Deflationary pressures remain a major issue, however, and the ongoing fall in average prices charged for goods and services adds to the likelihood of the ECB taking action to boost the economy at its June meeting. However, policymakers will also be minded of the steady recovery the region appears to be undergoing, suggesting that anyone expecting any aggressive policy initiatives may be disappointed.

“Of greatest concern is France, living up to its moniker of ‘sick man of Europe’ by sliding back into contraction as Germany continues to enjoy robust growth and the rest of the region experiences its best expansion since mid-2007.”

-Ends-

Core v. Periphery PMI Output Indices



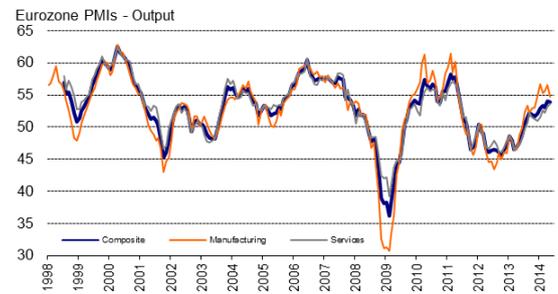
Core v. Periphery PMI Employment Indices



Summary of May data

Output	Composite	Output increases for eleventh month running, at similar rate to April's 35-month high.
	Services	Activity increases at strongest rate since June 2011.
	Manufacturing	Output growth eases to six-month low.
New Orders	Composite	New business growth at three-year high.
	Services	New business growth fastest since June 2011.
	Manufacturing	New order growth eases to six-month low.
Backlogs of Work	Composite	Backlogs fall slightly.
	Services	Outstanding business declines following no change in April.
	Manufacturing	Backlogs fall for first time in eight months.
Employment	Composite	Employment rises at fastest rate since September 2011.
	Services	Employment growth fastest in 33 months.
	Manufacturing	Workforce expands for fifth straight month.
Input Prices	Composite	Input price inflation picks up to three-month high.
	Services	Input price inflation fastest since January.
	Manufacturing	Input prices fall at weaker rate.
Output Prices	Composite	Output prices fall for twenty-sixth consecutive month.
	Services	Charges decline at fastest rate since last November.
	Manufacturing	Factory gate prices increase for first time in three months.
PMI⁽³⁾	Manufacturing	PMI eases to five-month low of 52.5.

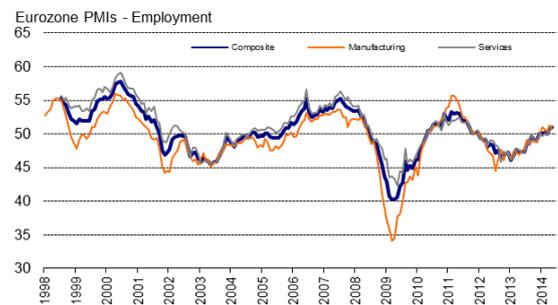
Output



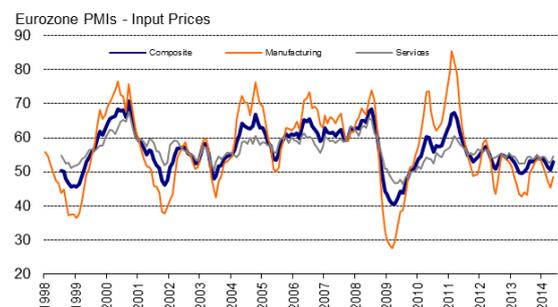
New business



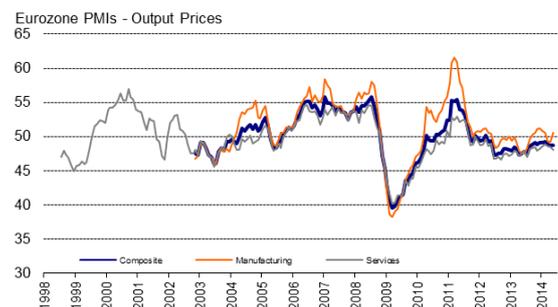
Employment



Input prices



Output prices



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Note to Editors:

Final May data are published on 2 June for manufacturing and 4 June for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by Markit and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. 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 flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* 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 Composite Output Index ¹	0.0	0.2
Eurozone Manufacturing <i>PMI</i> ²	0.0	0.2
Eurozone Services Business Activity Index ²	0.1	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.

Notes

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

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 11 countries. 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.

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