

News Release

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

Eurozone economy enjoys strongest quarter for four-and-a-half years

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 54.0 (54.2 in November). 2-month low.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 53.9 (54.2 in November). 3-month low.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 53.1 (52.8 in November). 20-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 54.4 (54.0 in November). 20-month high.

Data collected December 4-15.

The eurozone economy saw a solid end to 2015, with robust growth leading employers to take on extra staff at the fastest rate for just over four-and-a-half years. Output prices meanwhile continued to fall.

The Markit Eurozone *PMI*® dipped from 54.2 in November to 54.0 in December according to the preliminary 'flash' reading, but remained well above the 50.0 level. The expansion seen in December was sufficient to complete the strongest quarter of growth recorded by the survey for four-and-a-half years.

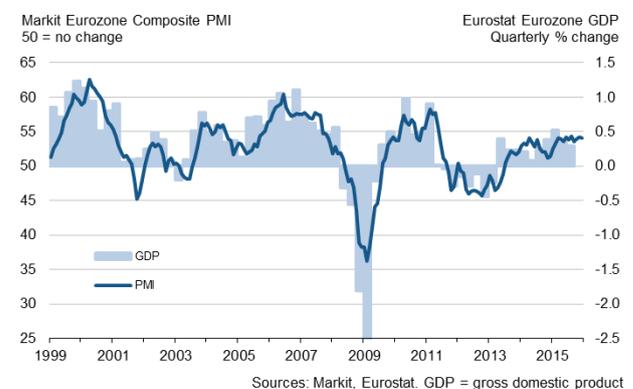
Manufacturing output rose at the fastest rate in 20 months, and outpaced the expansion in services activity for the first time in over a year. Services activity continued to rise solidly, albeit at the weakest pace since September.

Both sectors reported that further encouraging growth of new business led to ongoing job creation, pushing the overall rate of employment growth to the highest since May 2011.

With the survey recording the largest increase in backlogs of work since May 2011, companies look likely to continue to raise staffing levels to meet demand in coming months.

Business confidence for the year ahead rose to a four-month high in the service sector, resulting

Markit Eurozone PMI and GDP



in a notably stronger hiring trend. Service sector employment showed the largest monthly gain since November 2010.

Payroll growth was more subdued in manufacturing, and eased marginally since November. Growth of factory headcounts has been stuck at a modest pace over much of the past year as producers have sought to cut costs and boost productivity.

Input costs meanwhile rose to the greatest extent seen for four months, due largely to a combination of higher import costs arising from the depreciation of the euro and some evidence of increased wages.

Prices charged fell slightly, however, with companies generally unable to pass higher costs on to customers due to intense competition.

National divergences

While the PMI surveys signalled ongoing solid growth in Germany, rounding off the best quarter for one-and-a-half years, France slowed closer to stagnation. French businesses reported the weakest increase in activity since August.

A similar divergence was seen in relation to

employment. Job creation in Germany was the joint-highest seen since September 2011, but staffing levels were unchanged in France.

Both Germany and France registered stronger overall manufacturing growth, although France continued to lag behind. Meanwhile, a combination of strong activity growth and sentiment in the German service sector contrasted with stagnation and a gloomier outlook at France service providers.

Elsewhere in the region, growth of business activity picked up to a four-month high, once again exceeding the pace of expansion seen in the two largest 'core' countries.

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

“The eurozone economy enjoyed a comfortably solid end to 2015, though policymakers are likely to remain disappointed by the relatively modest pace of expansion and lack of inflationary pressures, given the stage of the recovery and the amount of stimulus already in place.

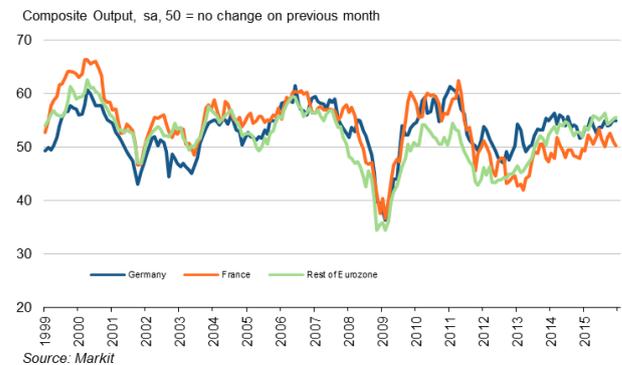
“Although the PMI edged lower in December, the fourth quarter as a whole saw the largest increase in business activity for four-and-a-half years. The survey is signalling a quarterly GDP rise of 0.4%, meaning the region grew 1.5% in 2015.

“Most encouraging of all is the upturn in the rate of job creation to the highest since spring 2011, which will hopefully pave the way for unemployment to start falling in earnest as we move into 2016. The upturn in hiring also indicates that companies are optimistic about prospects for the year ahead and suggests that the pace of GDP growth could lift higher in coming months.

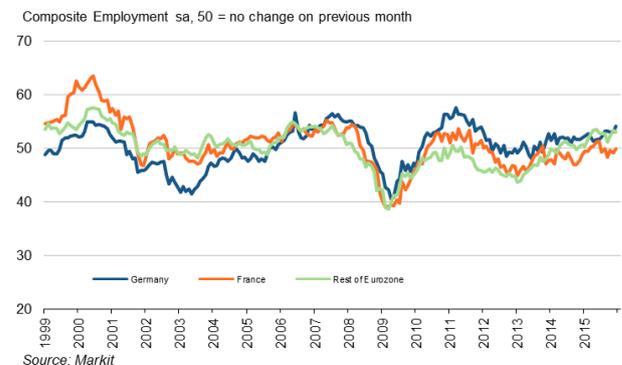
“The survey data suggest GDP growth picked up in Germany during the fourth quarter, rising to 0.5% as strong domestic demand and increasing exports drove a broad-based upturn in manufacturing and services. It’s a different story in France, however, where the survey points to a mere 0.2% GDP rise at best in the fourth quarter, and a further slowing to near-stagnation in December bodes ill for the coming year – especially in the stalling service sector.”

-Ends-

Core v. Periphery PMI Output Indices



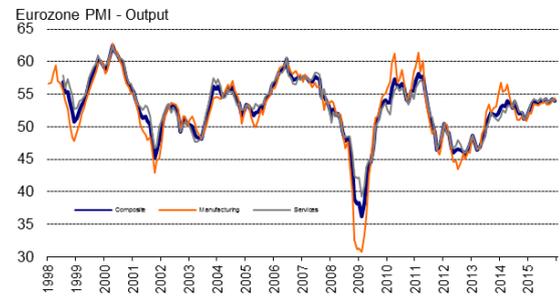
Core v. Periphery PMI Employment Indices



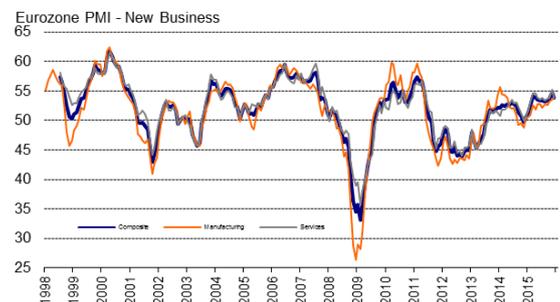
Summary of December data

Output	Composite	Output growth eases slightly but remains solid.
	Services	Services growth solid, but slowest since September.
	Manufacturing	Fastest rise in production since April 2014.
New Orders	Composite	New business growth eases from November's 55-month record.
	Services	Growth in services new business moderates.
	Manufacturing	Manufacturing new order growth at 21-month high.
Backlogs of Work	Composite	Outstanding business rises for seventh month running.
	Services	Incomplete business grows at joint-fastest pace since May 2011.
	Manufacturing	Backlogs rise at strongest rate in four months.
Employment	Composite	Employment growth at 55-month high.
	Services	Rate of job creation at 61-month high.
	Manufacturing	Jobs increase for sixteenth consecutive month.
Input Prices	Composite	Input cost inflation remains modest.
	Services	Input prices rise at moderate rate.
	Manufacturing	Input prices fall for fifth straight month.
Output Prices	Composite	Charges decline for third month running.
	Services	Service providers cut charges at marginal rate.
	Manufacturing	Factory gate prices fall at fractional rate.
PMI⁽³⁾	Manufacturing	Manufacturing PMI rises to 20-month high of 53.1.

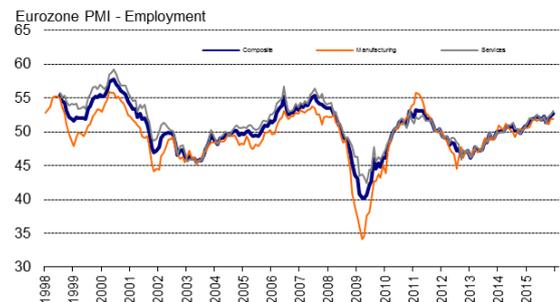
Output



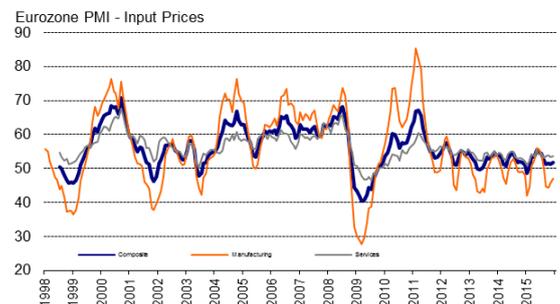
New business



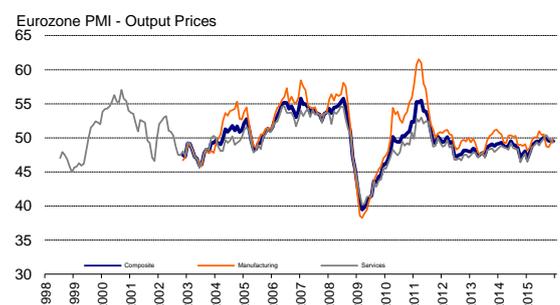
Employment



Input prices



Output prices



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Note to Editors:

Final December data are published on January 4 for manufacturing and January 6 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 4,000 people in 11 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 over 30 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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