

News Release

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 0900 (UK Time) 24 July 2014

Markit Flash Eurozone PMI[®]

Flash PMI signals rebound in Eurozone growth but French woes persist

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 54.0 (52.8 in June). 3-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 54.4 (52.8 in June). 38-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 51.9 (51.8 in June). 2-month high.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 53.0 (52.8 in June). 2-month high.

Data collected 11-23 July.

Eurozone economic growth rebounded in July, according to the 'flash' estimate of Markit's Purchasing Managers' Index. The headline PMI, covering business activity across both manufacturing and services, rose from a six-month low of 52.8 in June to 54.0 in July. The latest reading matched the near-three year high seen back in April and exceeded the averages seen in the first two quarters of the year.

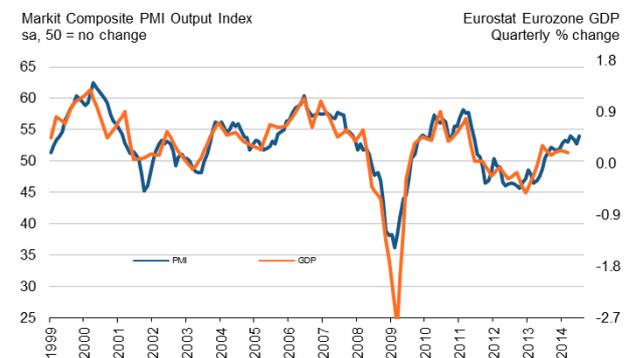
Many companies reported that business had picked up again in July after an unusually high number of holidays and a knock-on effect of mild winter weather had depressed activity in prior months.

However, growth of new orders slowed slightly in July amid signs that expansion, especially in manufacturing, is being subdued by geopolitical concerns, in particular the escalating crisis in Ukraine.

While growth of service sector business activity accelerated to the fastest for just over three years, growth of output and new export orders in the manufacturing sector picked up only marginally, remaining well below the rates seen earlier in the year.

A lack of clarity on the economic outlook, as well as ongoing pressure to cut costs and boost competitiveness, meant employment rose only marginally once again in both sectors in July. While weak though, the continuous trend of moderate job creation seen over the past four months represents an improvement from the significant pace of job losses being recorded this time last year.

Markit (Flash) Eurozone PMI and GDP



Source: Markit, Eurostat. GDP = gross domestic product

Output prices meanwhile continued to fall, with the rate of decline accelerating slightly on June. Average selling prices have now fallen continually since April 2012, although the rate of decline remains only modest and far weaker than that seen at the height of the financial crisis. A marginal rise in manufacturing factory gate prices was offset by a drop in charges levied for services.

Some rising cost pressures were evident. Average input prices in manufacturing rose for a second successive month, growing at the steepest rate for seven months, while service sector input costs also rose, albeit to a slightly lesser extent than June.

Looking at the data by country, strong national divergences persisted, with France contracting while growth accelerated elsewhere.

Firms in France reported that output fell for a third month running after the brief return to growth seen in the spring. Although French service providers saw a marginal return to growth, output in the manufacturing sector fell at the steepest rate since April 2013.

Firms in Germany, in contrast, reported the strongest increase in business activity since April, with growth picking up sharply from the lull seen in June. Service sector activity picked up especially markedly, growing at the fastest rate for over three years.

Manufacturing output growth also revived in Germany, but remained much weaker than earlier in the year.

Outside of France and Germany, the rest of the region recorded the largest monthly increase in business activity since August 2007. New orders also grew at the sharpest rate for seven years. Although manufacturers outside of France and Germany saw output growth moderate slightly, the pace of expansion in services hit a seven-year high.

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

“Business activity picked up again in July to suggest that the economy is growing at one of the strongest rates we have seen in the past three years.

“However, even with the resumption of stronger growth, the survey data suggest the region’s GDP is expanding at a modest pace of approximately 0.4% per quarter. Importantly, this growth is not fast enough to encourage firms to take on staff in sufficiently large numbers to have a meaningful impact on unemployment. The July survey once again saw only very modest job creation.

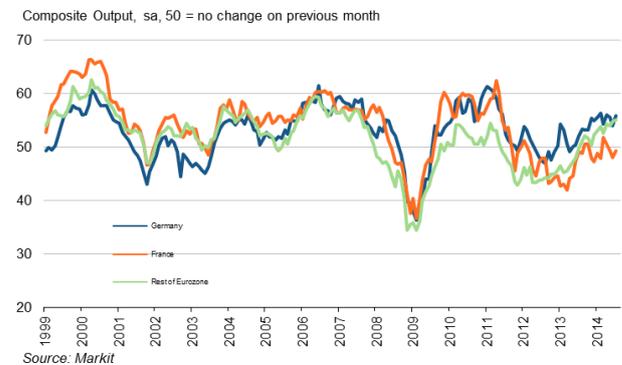
“Part of the weakness of growth can be attributed to geopolitical concerns, and notably worries about the potential economic impact of the escalating situation in Ukraine. The likelihood is that companies will become increasingly reluctant to commit to making big decisions on purchases, investment and hiring in the face of such economic uncertainty, suggesting growth could weaken again.

“Even with political concerns weighing on business sentiment, it’s encouraging to see business in the ‘periphery’ expanding at the fastest rate since 2007. Germany also continues to see strong growth as its increasingly buoyant service sector helps to offset some of the slowing seen in manufacturing.

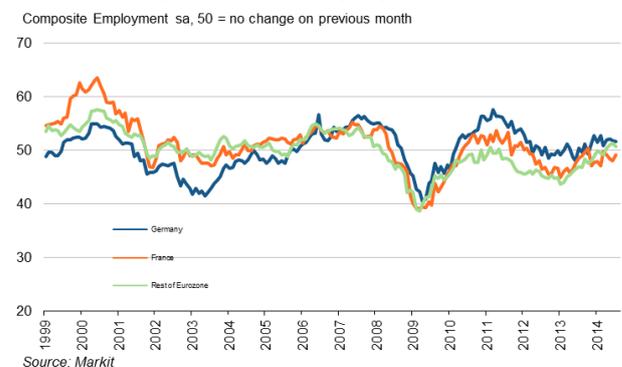
“However, while the periphery is picking up speed and the German economy is growing at a robust 0.7-0.8% pace at the start of the third quarter, the French economy is stagnating at best. At the heart of France’s woes are a stagnant services economy, which points to weak domestic demand and falling confidence among business and households, as well as an increasingly alarming rate of decline in the manufacturing sector.”

-Ends-

Core v. Periphery PMI Output Indices



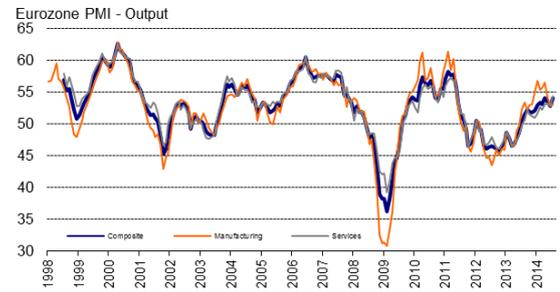
Core v. Periphery PMI Employment Indices



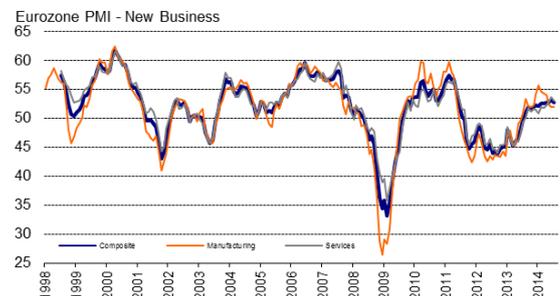
Summary of July data

Output	Composite	Output increases for thirteenth month running, and at joint-fastest rate in over three years.
	Services	Activity increases at fastest rate since May 2011.
	Manufacturing	Output growth picks up slightly since June.
New Orders	Composite	New business growth eases fractionally.
	Services	New business growth moderates since June.
	Manufacturing	New order growth unchanged from June's eight-month low.
Backlogs of Work	Composite	Backlogs fall for second month running.
	Services	Outstanding business declines fractionally.
	Manufacturing	Backlogs fall for third consecutive month.
Employment	Composite	Employment rises for fourth month running.
	Services	Employment growth unchanged since June.
	Manufacturing	Workforce expands for seventh straight month.
Input Prices	Composite	Input price inflation unchanged from June's seven-month high.
	Services	Input price inflation eases since June
	Manufacturing	Input prices increase at fastest rate since December.
Output Prices	Composite	Output prices fall for twenty-eighth consecutive month.
	Services	Charges decline for thirty-second successive month.
	Manufacturing	Factory gate prices increase for third month running.
PMI⁽³⁾	Manufacturing	PMI improves fractionally to 51.9.

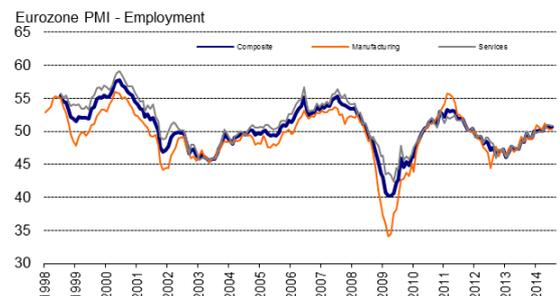
Output



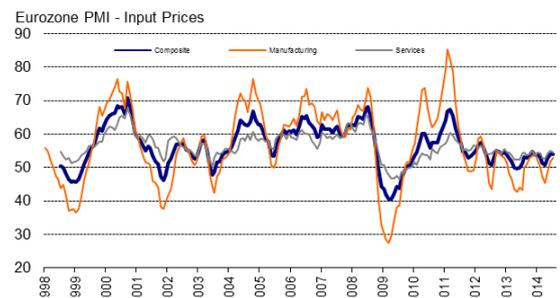
New business



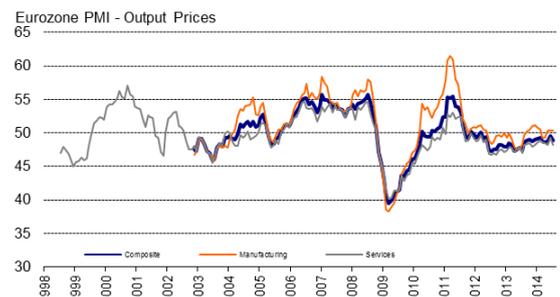
Employment



Input prices



Output prices



Source: Markit.

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Note to Editors:

Final July data are published on 1 August for manufacturing and 5 August 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 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.

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