

# News Release

**Purchasing Managers' Index<sup>®</sup>**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:00 (UK Time) 5 August 2014**

## Markit Eurozone Composite PMI<sup>®</sup> – final data

Includes Markit Eurozone Services PMI<sup>®</sup>

### Eurozone growth accelerates as Germany and Spain strengthen

- Final Eurozone Composite Output Index: **53.8** (Flash 54.0, June 52.8)
- Final Eurozone Services Business Activity Index: **54.2** (Flash 54.4, June 52.8)

Eurozone economic growth accelerated at the start of the third quarter. The final **Markit Eurozone PMI<sup>®</sup> Composite Output Index** rose to a three-month high of 53.8 in July, up from 52.8 in June, but a shade lower than the earlier flash estimate of 54.0.

The combined output of the euro area manufacturing and service sectors has now risen for 13 successive months. The latest rate of expansion was the second-strongest in over three years, bettered only during this sequence by April's high.

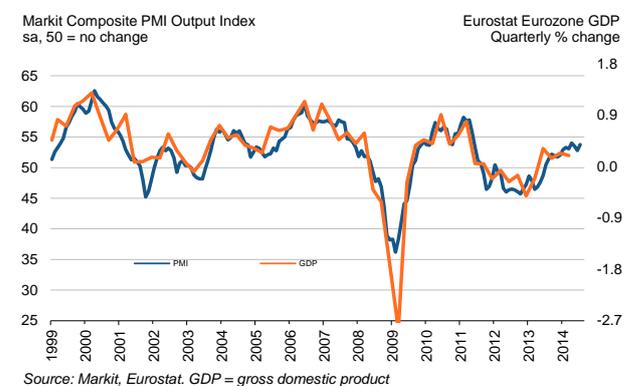
Growth was led by the service economy in July, with business activity in this sector rising at the sharpest pace since May 2011. Manufacturing production also expanded, but the rate of increase was subdued compared to the peaks scaled earlier in the year.

Growth of **new business** slowed slightly in July, as a slight acceleration at manufacturers was offset by a weaker increase at service providers (although the rate of increase remained stronger in services).

Germany and Spain led the rebound in July, with growth of business activity hitting three-month highs in both nations. The output expansions in Germany and Spain were driven by solid new order inflows. In Spain's case, new business rose at the fastest pace since January 2007, leading to a modest accumulation of backlogs of work.

The recovery in Italy also remained solid, although growth was slower than in June. France remained the laggard, as a slight rebound in service sector activity was offset by a deepening downturn at manufacturers.

#### Markit Eurozone PMI and GDP



#### Nations ranked by all-sector output growth\* (Jul.)

Germany	55.7 (flash: 55.9)	3-month high
Spain	55.7	3-month high
Italy	53.1	2-month low
France	49.4 (flash: 49.4)	3-month high

\*All-Sector Output PMI against GDP comparisons for Germany, France, Italy and Spain are included on [page 3](#) of this press release. Services and composite PMI data for Ireland are released on 6 August.

A lack of clarity regarding the economic situation and continued pressure to boost competitiveness meant **job creation** remained modest in July. Germany was the only nation covered to see payroll numbers rise at an accelerated pace. Spain also reported a solid, albeit slower, increase in staffing, a real positive given the sustained high levels of unemployment in the country. Employment was unchanged in Italy. France reported job losses for the ninth month running, but the rate of reduction was marginal and the second-weakest during this sequence.

Average **selling prices** fell for the twenty-eighth consecutive month in July, as a modest increase in Germany was offset by further price discounting in France, Italy and Spain. **Input cost** inflation strengthened, reaching an eight-month high.

## Services:

The recovery in eurozone service sector business activity was extended to 12 months in July. The **Eurozone Services Business Activity Index** posted 54.2, to signal the fastest rate of expansion since May 2011.

Services business activity rose in all of the big-four nations in July, led by Germany where the rate of expansion hit a three-year high. Spain also saw faster output growth, whereas the pace of increase in Italy eased slightly from June's 43-month high. Although the expansion in France was only marginal, it was nonetheless an improvement on the contractions seen in the prior two months.

Underpinning the latest rise in business activity was a further increase in **new orders**. The rate of new business growth eased slightly from June's three-year peak, but remained solid overall.

The ongoing recovery also had a positive effect on **business confidence\***, with optimism regarding the outlook for business activity remaining among the highest seen over the past three years. Confidence improved in Germany and Spain, but dipped slightly in France and Italy.

Rising levels of business activity, new business and the relatively solid degree of business confidence encouraged service providers to add to their payrolls in July. **Employment** increased for the fourth month running and at the fastest pace since August 2011 (though job creation remained only modest overall).

Job creation accelerated in Germany (five-month high) and Spain (three-month peak). In contrast, France and Italy reported further cuts at the start of the third quarter, although the rates of decline were only marginal and less marked than the respective averages for the second quarter.

July saw service sector input cost inflation hold steady at June's seven-month peak, with reports of both higher input prices and staff costs. Rates of increase ticked higher in Germany and Spain, and decelerated in France and Italy. Meanwhile, average output prices declined for the thirty-second successive month. Only Germany reported an increase in service charges.

<sup>†</sup> for business confidence, 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:

*"A lacklustre eurozone manufacturing sector was offset by faster growth in the services economy in July, according to the final PMI numbers. The resulting overall increase in output was the second-strongest seen for just over three years, representing an encouraging start to the third quarter."*

*"The survey suggests that eurozone GDP is growing at a quarterly rate of 0.4%, but the worry is that this is still only generating very modest job creation. Faster growth is needed to have a meaningful impact on the near-record 11.5% jobless rate in the euro area."*

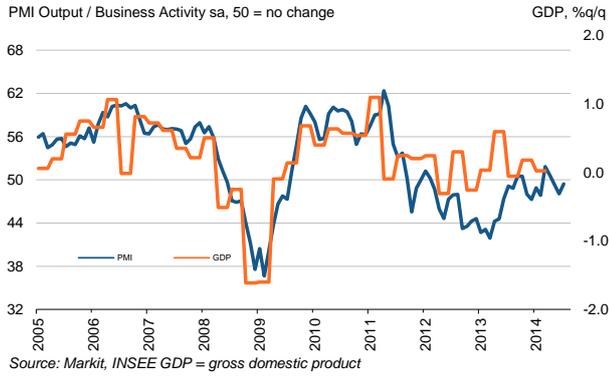
*"There's also a great deal of uncertainty as to which direction the pace of growth will take in coming months."*

*"On one hand, the surveys point to a gathering pace of growth in the region's major domestic economies, as signalled by the services-led upturns in countries such as Germany and Spain, alongside a welcome stabilising of the services economy in France. Recent stimulus efforts by the ECB should also help to promote even stronger growth as we move through the second half of the year, especially when the LTROs look set to boost lending."*

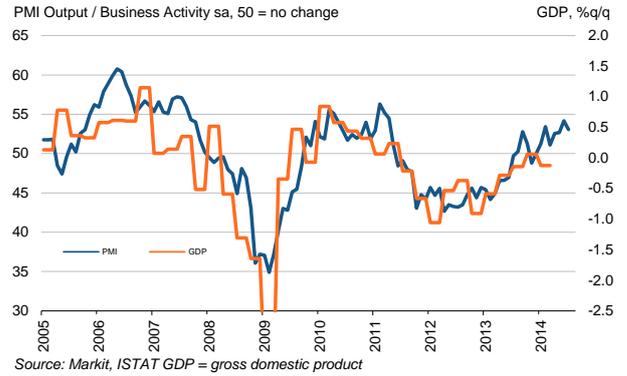
*"On the other hand, there is clearly growing anxiety about the economic impact of the crisis in Ukraine. At the moment, the effects seem to be limited to weaker growth of demand at exporting manufacturers, but any further escalation of the crisis could further subdue the overall pace of economic growth in coming months."*

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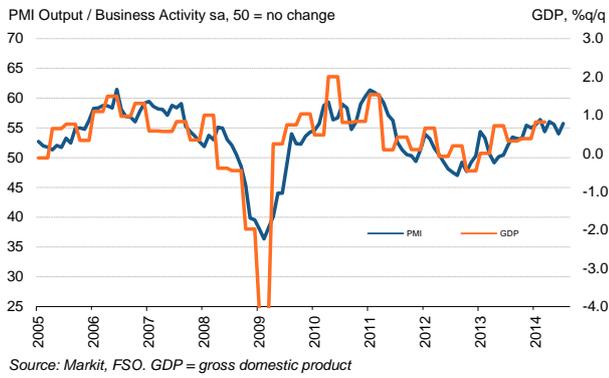
### France



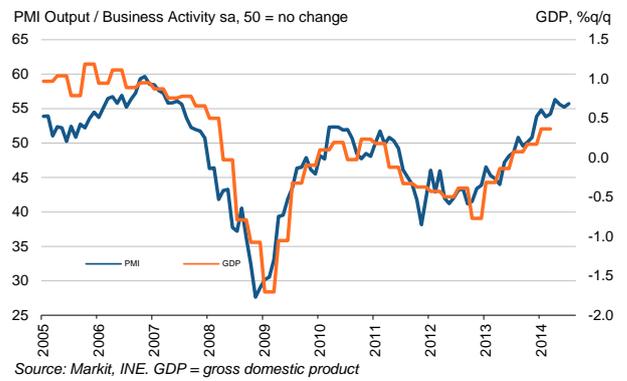
### Italy



### 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](mailto:chris.williamson@markit.com)

Rob Dobson, Senior Economist  
 Telephone +44-1491-461-095  
 Mobile +44-7826-913-863  
 Email [rob.dobson@markit.com](mailto:rob.dobson@markit.com)

Joanna Vickers, Corporate Communications  
 Telephone +44 207 260 2234  
 Email [joanna.vickers@markit.com](mailto:joanna.vickers@markit.com)

**Notes to Editors:**

The Eurozone Composite *PMI*<sup>®</sup> (*Purchasing Managers' Index*<sup>®</sup>) 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 July composite flash was based on 91% of the replies used in the final data. The July services flash was based on 86% of the replies used in the final data. **Data were collected 11-28 July.**

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> <sup>®</sup>	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](mailto:economics@markit.com).

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**About PMI**

*Purchasing Managers' Index*<sup>®</sup> (*PMI*<sup>®</sup>) 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](http://www.markit.com/economics).

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